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# FINANCIAL TIMES

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## NEWS SUMMARY

GENERAL BUSINESS

### Mideast military meeting possible

Israel and Egypt may resume their military committee talks as a result of yesterday's meeting between Egypt's President Sadat and Mr. Ezer Weizman, the Israeli Defence Minister.

Tel Aviv military circles were hoping last night that Mr. Weizman would bring an Egyptian invitation to resume the talks in Egypt when he returns from his visit.

The Austrian meeting is also seen as lessening the chance of a stalemate at next week's London meeting of the Egyptian and Israeli Foreign Ministers and Mr. Cyrus Vance, the U.S. Secretary of State. Back Page

### Six held on fraud charges

Six Rhodesians have been detained in connection with allegations of fraud and conspiracy of exchange control, Mr. Brendon Tracey, Rhodesia's Attorney-General, confirmed last night.

His statement followed earlier comments by the Minister of Manpower that some people had been detained in connection with financial irregularities involving secret arms purchases. Page 4

### Race census

The Government is to include a question on race or ethnic origins in the 1981 census, Mr. Roland Morley, Health and Social Services Minister, said yesterday.

He said the Government would listen to a full public debate before deciding on the final form of the question. Page 5

### EEC unpopular

Only 29 per cent of Britons believe EEC membership has been a good thing, says a public opinion survey published in Brussels. In London yesterday, Mr. Peter Shore, Environment Secretary, said EEC draft proposals on lawmaking were "ridiculous". Page 2

### Port demand

Mr. Sam Nujoma, president of the South West Africa People's Organisation, has said he will not accept independence for Namibia unless Walvis Bay port is included in the new state. Back Page and Editorial Comment. Page 16

### Violence plea

Some areas of South London are so lawless that even priests are afraid to live there, says the Bishop of Southwark. He called on political parties to end the "appalling evil and danger" in society and outline their programmes for doing so.

### Secrets report

The Cabinet has ruled out introduction of a Freedom of Information Act to fulfil the promise made in Labour's last election manifesto, the Prime Minister said yesterday. The Government would publish its reasons in the next fortnight, in a White Paper which would make proposals for reforming Section Two of the Official Secrets Act.

### Briefly...

Chinese scientists have developed a wormwood-based drug to treat malaria.

The body of assassinated former Iraqi premier Abdel Razak al-Naif was flown to Amman, Jordan, yesterday.

Jewels worth £150,000 have been stolen from a Saudi Arabian princess's Belgravia home.

Mr. Ralph Bennett, London Transport chairman, is to be recommended for a 33 per cent pay rise, which would make his salary £23,000 a year.

Mr. Jeremy Isaacs, director of programmes, is to leave Thames Television. Page 6

San Francisco police arrested 10 handicapped demonstrators who had been demanding that California honour a promise to buy special buses with hydraulic lifts.

### Concern about currency plans

MISCONCEIVED European monetary system might carry the risk of inflation, Count Otto Lambsdorff, the West German Economics Minister, said. Back Page. The U.S. is concerned about excessive use of the dollar as an intervention currency in the system proposed in outline last week. Page 3. Powell warning, Page 7

### Companies

● **SIME DAREY** Holdings is arranging a \$202m syndicated loan for working capital and expansion. Back Page

● **DISTILLERS** increased taxable earnings to a record £182.5m (£133.5m) in the year to March 31. Page 26 and Lex

● **DEBENHAMS** believes it can achieve its target of a 5 per cent increase in sales volume this year, Sir Anthony Burney, the chairman, told the annual meeting. Page 26

● **AXEL SPRINGER** Verlag, West Germany's major newspaper publisher, has been prevented from taking a majority stake in Muenchener Zeitungs Verlag by the country's Cartel Office. Page 30

### Chief price changes yesterday

(Prices in pence unless otherwise indicated)

RISERS	
AB Electronic	118 + 5
AG Research	97 + 5
AVP	82 + 8
Autogard Security	88 + 8
3AT Inds.	517 + 7
Barclays Bank	320 + 5
Brinning	72 + 12
Daily Mail	315 + 2
Diamond Syng	230 + 8
Downing (G. H.)	225 + 6
Dowty	80 + 3
Imperial Corp.	273 + 7
Int. Tsl. Corp.	273 + 7
Jacksons Estate	190 + 5
Wagner & Southern	157 + 4
Wethercare	178 + 6

FALLS	
Spiras-Sarco	168 + 6
Wallis Fashion	106 + 11
Siebens (UK)	380 + 22
Ultramar	287 + 7
Pancontinental	151 + 2
Blackwood Hodge	58 - 4
Brentnall Beard	32 - 4
BH Prop.	675 - 25
Daejan	230 - 6
Furness Withy	230 - 6
HK and Shanghai	316 - 17
Jardine Matheson	262 - 16
Nears Bros.	14 - 3
Rotaprint	104 - 7
Sine Pacific	151 - 8
Swire	52 - 4
Zettlers	876 - 9
BP	314 - 9
Anglo Amer. Corp.	237 - 9
Concise Rhotato	237 - 9

## World trade reform by year-end, say industrial nations

BY REGINALD DALE: GENEVA, July 13

The world's leading industrial nations today expressed confidence that final agreement on a comprehensive reform and liberalisation of the world trade system could be reached by the end of this year after more than five years of difficult negotiations.

Representatives of the U.S., the EEC, Canada and Japan said they agreed with the general thrust of the statement in that substantial progress had been achieved.

On the other hand, there is likely to be far less enthusiastic reaction from the developing countries which have protested at the way the industrialised nations have conducted negotiations without their full participation.

A progress report on the negotiations will go to this weekend's seven-nation economic summit in Bonn to receive what Herr Wilhelm Haferkamp, EEC external relations commissioner, described as "decisive impetus" from the heads of government.

Mr. Robert Strauss, U.S. special trade representative, said the back of the Tokyo round had been totally broken.

Nobody here today, however, was hiding the fact that a great deal of difficult negotiating still lies ahead, particularly on the key issues of agriculture, safeguards and subsidies and countervailing duties, where many major problems remain unsettled.

In addition to the summit participants, today's statement had the support of Switzerland and New Zealand while Austria and the Nordic countries said they intended to add their backing.

Australia, while declining to add its formal support, said it agreed with the general thrust of the statement in that substantial progress had been achieved.

On the other hand, there is likely to be far less enthusiastic reaction from the developing countries which have protested at the way the industrialised nations have conducted negotiations without their full participation.

The main participants also have agreed on the principle that safeguards against low-price imports in future can be applied selectively.

The Community still is resisting U.S. demands for the drawing up of an "illustrative list" of potentially unacceptable subsidy practices. The two sides have made progress on agricultural subsidies, which they have agreed to treat as a separate issue, breaking a long negotiating deadlock.

Editorial Comment, Page 16

## Rises in prices down to 6%

By Elinor Goodman, Consumer Affairs Correspondent

THE RATE of increase in the index of price rises notified to the Price Commission fell sharply last month. Expressed at an annual rate, the rise in the six months to the end of June was cut to 6 per cent compared with 6.8 per cent for the six months to the end of May.

The latest figure is the lowest since December and provides further support for the Government's claims that inflation will stay at, or about, its present level until the end of the year.

Movements in the Commission usually takes three to four months to work through to the Retail Price Index. The index for June, to be published today, is expected to show a sharp fall from the 7.7 per cent 12-month rate reported for May.

The rate of increase in the commission's index and the retail price index probably will fluctuate quite widely over the next few months and Mr. Charles Williams, chairman, said yesterday that it was wrong to pay too much attention to one month's figures.

The important point to note was that the index had moved only within narrow limits about 6.5 per cent for the past eight months.

## Eight years' sentence for Ginzburg

BY DAVID SATTER MOSCOW, July 13.

MR. ALEXANDER GINZBURG, Mr. Shebaransky will be sentenced to eight years in a Soviet labour camp while the State prosecutor in the case of Mr. Anatoly Shebaransky demanded a sentence of 15 years.

The trials—Shebaransky is accused of treason—have cast a shadow over the SALT talks between Mr. Cyrus Vance, US Secretary of State, and Mr. Andrei Gromyko, Soviet Foreign Minister, which are taking place in Geneva.

They have also indirectly resulted in considerable embarrassment to the US administration because of the remarks about political detainees in the US made by Mr. Andrew Young, US Ambassador to the UN.

In Vilnius, Mr. Viktoras Pyatkus, a Lithuanian dissident who refused to take part in his trial—he faced charges of anti-Soviet agitation—was sentenced to 10 years' imprisonment and five years' exile.

All three dissidents were members of Helsinki Agreement monitoring groups—Mr. Ginzburg and Mr. Shebaransky in Moscow and Mr. Pyatkus in Vilnius.

Mr. Ginzburg's sentence is his second for alleged anti-Soviet agitation and comes after a trial in which he was accused of preparing and circulating the works of Alexander Solzhenitsyn and disseminating "slandorous fabrications about the Soviet Union"—a reference to Helsinki Group documents.

Mr. Ginzburg's mother, Ludmila, 70, and his lawyer, Elena Erzinkova, were in the regional court in Kaluga, south of Moscow, when the sentence was read.

It fell slightly short of maximum sentence which for residents is 10 years' imprisonment and five years' exile but is to be served under Strict Regime conditions, the toughest of the four regimes governing diet and conditions.

## No pay limit deal with Tories, say railwaymen

BY PAULINE CLARK, LABOUR STAFF

THE BIGGEST rail union will ignore appeals for wage restraint and the Conservatives win the next general election.

The 50-27 decision on pay policy by the union's policy making conference in Llandudno, was not unexpected.

It was a timely boost for Ministers from the last major union conference of the season as they prepare for next week's round of talks on the White Paper for Stage Four.

Delegates of the 180,000-member union agreed to continue the social contract and joint discussions on economic strategy including pay with Labour, and overwhelmingly threw out a call for a return to a wages-free-for-all.

The railwaymen later voted resolutions demanding substantial pay increases and a restoration of eroded differentials, but neither within any time limit.

About 12 more militant resolutions on pay, including a call for a basic £25 a week minimum wage, were withdrawn.

The decisions will put the union firmly on the side of the moderates in any battle over the future of the special relationship with Labour at the TUC conference in September.

The General and Municipal Workers Union will lead for the defence, with a resolution that asks the TUC to set its own negotiating guidelines, given that there will be no formal agreement with the Government on the shape of Stage Four.

The miners have put a tough resolution calling the social contract into question.

On Wednesday Mr. James Callaghan, the Prime Minister, received a standing ovation from the 77 National Union of Railwaymen delegates after he appealed for continuing pay restraint to prevent any further surge in inflation.

But his success in winning the unqualified backing of the union group with close historical ties with the Labour Party—was all the more encouraging for the Government, since it followed hints by the Prime Minister that an earnings limit as low as 5

Continued on Back Page

### Familiar

This is likely to become a familiar refrain from Mr. Roy Hattersley, Prices Secretary, over the next few weeks. While the drop in the retail price index for June will be particularly welcome in the light of the delicate stage of negotiations with unions over pay, Ministers will be anxious to avoid exposing themselves to criticism if the rate of increase returns to nearer 8 per cent later in the summer.

Commenting on the commission's latest figures, Mr. Williams again stressed the need for "wage restraint in the next pay round. At present, he said, industry seemed to have been quite successful in absorbing recent increases in the costs of bought-in materials and fuels as well as the "more significant rise in labour costs."

Time would tell how far this process could continue but the critical factor almost certainly was going to be productivity growth and the level of wage settlements as winter approached.

Movements in the commission's index normally are reflected in the retail price index three to four months later.

### Absurd

He had never passed secret information to Mr. Robert T. Foltz, the former Moscow correspondent of the Los Angeles Times and considered the bulk of the prosecution evidence absurd, he added.

The prosecution had failed to produce one document in its own handwriting tying him to espionage.

In Vilnius, three members of the Lithuanian Helsinki Group who are not under arrest were also called to testify in the trial of Mr. Pyatkus. But all three refused.

Mr. Pyatkus, declining to testify, laid his head down in the dock and closed his eyes.

Mr. Eitan Finkelstein, one of the group members, explained his refusal by saying "I'm a physician, not a comedian."

Reginald Dale writes from Geneva: Mr. Andrew Young has made what is tantamount to an apology in the face of a mounting storm of criticism for his suggestion that there might be "hundreds, perhaps even thousands" of political prisoners in U.S. jails.

His remarks, first quoted in a Paris newspaper on Wednesday, led to calls in Washington for his resignation as U.S. ambassador to the UN and raised new doubts over his political future.

TASS, the Soviet news agency, has been quick to portray Mr. Young's interview as confirmation of political repression in the U.S.

In a statement issued here, Mr. Young said that he was fully in accord with the strong condemnations of the persecution of Soviet dissidents made by President Carter and Mr. Vance.

Excerpts from a lengthy interview had "given an erroneous impression of his views," he claimed.

Tony Hawkins in Salisbury writes: Mr. Young was also the subject of a strong attack from Rhodesia's multi-racial transitional government over his

Continued on Back Page

### Refused

In his closing speech this morning Mr. Ginzburg said he was innocent and refused to ask for mercy. He insisted that Solzhenitsyn's books were not anti-Soviet and that the facts attested in the Helsinki Group documents were completely true.

The prosecutor in the case of Mr. Shebaransky, 39, today demanded a 15-year sentence, with the first three to be served in prison and the rest in a labour camp. Although Mr. Shebaransky's alleged crimes merited the maximum sentence, this was a first offence and the court should consider his relative youth, the prosecutor said.

The court is not obliged to follow the recommendation but it no longer appears likely that

## Industrial production up 1.3%

BY DAVID FREUD

INDUSTRIAL activity is still moving upwards, although the recovery remains patchy.

Latest figures show that industrial production in the three months from March to May was 1.3 per cent above the level of the previous three months.

Manufacturing output rose by the same percentage.

The Central Statistical Office's index of total industrial output registered a 1.9 per cent drop in May to 103.9 (1970=100), seasonally adjusted.

However, officials believe that was an erratic fluctuation that arose because normal adjustments for seasonal factors failed sufficiently to account for changes in Bank Holiday timings this year.

The underlying picture therefore emerges only from the three-monthly total, in which the holiday factors balance out.

The improvement in the latest three months is uneven, with main gains in chemicals, ferrous and non-ferrous metals, and North Sea oil.

However, there was a decline in the food, drink and tobacco sector, mainly because of low beer consumption. Coal production declined slightly and the previous upward trend for clothing and footwear levelled out, reflecting a fall in retail sales after Easter.

The figures bear out the findings of recent surveys into the UK's economic activity. The Confederation of British Industry's monthly trends inquiry, published a fortnight ago, concluded that output was likely to expand slowly through the rest of the year, giving an increase in real terms of about 3 per cent for 1978.

On longer-term comparisons, the all-industries index, averaged out for the latest three months, now stands at its highest level since 1974. It was 5.5 per cent above the trough of the business cycle in the third quarter of 1975 and 1.5 per cent above the same period last year.

An analysis by broad market sector shows that in the latest three months the output of consumer goods and investment goods industries both rose by 1 per cent over the previous three months. Output of the intermediate goods industries rose by 2 per cent.

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## EUROPEAN NEWS

PESSIMISM ON MEDIUM-TERM GROWTH

## Bonn sees need for fresh stimulus

BY ADRIAN DICKS

THE WEST GERMAN economy will need additional measures to support growth next year, irrespective of the political desirability of any contribution Bonn makes at this weekend's world summit here towards an international economic recovery package.

This is now the view of senior officials responsible for formulating economic policy, and it is based on their assessment of the economy's disappointing performance during the first half of this year and on the prospects for the next 18 months.

In this view, an additional 1 per cent boost is needed in 1979. Despite currently firm consumer demand and better-than-expected export orders, senior officials now believe there is not enough steam in the economy to maintain satisfactory medium-term growth.

Although figures for second quarter gross national product

are not yet available, they are not expected to have made up for the very low first quarter performance, which suffered from bad weather and from last spring's labour disputes. For the whole year, it is now officially expected that GNP growth will be closer to 2.5 per cent than to the 3.5 per cent forecasts last January.

Assuming some further acceleration to a yearly rate of 3 per cent next year, given present policies, senior officials believe an extra 1 per cent is desirable in order to prevent a further increase in unemployment.

In the past, a consensus view has been that 4 per cent annual GNP growth is the minimum needed to bring about any decline in unemployment from the average of about 1m at which it has remained since 1975.

The view now held by the Government is that 4 per cent

will barely keep unemployment at present levels, because of the need to find jobs for about 800,000 more school-leavers between now and 1985. An additional factor is the accelerating pace of rationalisation in several major industries.

Although top economic officials are now prepared to add such "banking measures" as a shortened working week to the structural labour market policies already in force, the conclusion is that additional stimulus is going to be needed. In keeping with the timetable already laid down by Chancellor Helmut Schmidt, no decisions have yet been prepared for the Cabinet.

However, it is understood that Herr Manfred Lahnstein, state secretary at the Bonn Finance Ministry, and Dr. Otto Schleier, his counterpart at the Economics Ministry, have been asked to work out a range of "model" for consideration during the

three-day cabinet meeting on July 26-28. Until very recently, the declared purpose of this three-day marathon has been to set final 1979 budget figures.

It is now clear, however, that the Cabinet will be receiving detailed advice that goes far beyond measures to underpin growth are needed.

In addition to tax reforms reducing the inflation trap for workers in the lower wage brackets, senior officials here are known to be examining additional spending measures including higher child allowances and programmes to promote research and development by business.

Equally stressed, however, is the need both of economic and political groups to reduce the public sector deficit from its present DM 60bn, and in this connection the most probable measure is a further rise in standard value added tax to 13 per cent.

## Carter opens visit to West Germany

By Jonathan Carr

BONN, July 13.

PRESIDENT Jimmy Carter of the United States today began an official visit to West Germany amid public declarations of friendship and solidarity from both sides—and some trepidation in Bonn about the outcome.

In greetings statements issued before the President flew in to Bonn-Cologne airport, Chancellor Helmut Schmidt described relations between the two countries as better than ever before.

The President made a very similar remark in an interview released here, also describing Herr Schmidt as a "personal friend."

Bonn government officials say that there are currently no major U.S.-German bilateral problems. Other difficulties, for example, those over delivery of American enriched uranium to the European Community, are felt to have been averted for the present.

But there remains the relationship could still markedly deteriorate—not least because of reaction to the trials of Russian dissidents. This in turn would impair West Germany's own efforts to seek better relations with Eastern Europe in general and East Germany in particular.

Further, a big question-mark hangs over the U.S. attitude at the seven-nation Western economic summit conference, to be held here on Sunday and Monday.

It is assumed by the Germans that President Carter will not be coming to the conference table "with empty hands"—meaning that some further undertaking is expected on the U.S. trade and payment deficit.

But in a television interview shown here, Mr. Carter was careful to stress that the deficit was not simply induced by oil imports—but also by purchase of goods from Germany and Japan, two trade surplus countries.

Mr. Carter's main bilateral talks with Herr Schmidt will be held tomorrow. On Saturday morning the President will go to Frankfurt and visit American forces stationed nearby. He will then fly on to West Berlin—the third such visit there by a U.S. president. Herr Schmidt will be accompanying Mr. Carter to Berlin.

## Len Murray warns of protectionism

By Christian Tyler, Labour Editor

A PRE-SUMMIT warning of the dangers of a stampede into protectionism and a call for a new kind of Marshall aid plan came yesterday from Mr. Len Murray, TUC general secretary, addressing trade union leaders from 15 countries in Düsseldorf.

The union leaders, accompanied by Herr Hans Matthöfer, West German finance minister, were later meeting Herr Helmut Schmidt, the German Chancellor, in Bonn to press demands for action on unemployment. The basis of their submission is a paper drawn up by the trade union advisory committee to the OECD, which among other things warns that political and social unrest is on the horizon.

Mr. Murray said political leaders at the Bonn summit should reassess workers that they understood the reasons for the present "appalling" level of unemployment, that they cared about the fate of the unemployed, and that they had the will to find solutions.

"There is now an opportunity for a type of agreed policy, through which the major industrialised countries of the world can help to boost purchasing power in the poorer regions of Europe and the Third World too."

## Spanish parties may agree on concessions to Basques

BY JIMMY BURNS

MADRID, July 13.

THERE ARE growing signs that the Government and the Basque nationalist Parliamentarians may soon reach agreement on the status of the Basque region in the new constitution.

It emerged today that leaders of the Spanish Socialist Party and the Basque nationalist party, have over the past week held private discussions with the leader of the Partido Nacional Vasco (PNV), the principal Basque nationalist parliamentary party.

The talks are aimed at reaching a substantial compromise on the question of autonomy in the Basque region. This would involve certain amendments to the present text of the constitution giving greater local administrative powers to Basque officials.

In return the PNV would back down from its threat of forcing a dangerously divisive debate on the constitution, and would instead urge its supporters to vote for the final text during the new constitutional referendum.

The PNV has consistently argued that Government intransigence over the constitution threatens to sacrifice the chance of a peaceful solution to the troubles in the Basque region.

The Government and the opposition Socialist and Communist parties have countered this by accusing the PNV of

inflexibility and of playing into the hands of ETA, the Basque terrorist organisation. Yesterday a significant breakthrough in this impasse came with the first Parliamentary approval of a PNV amendment on the constitution. Combined votes from the UCD, Socialists and Communists accepted a PNV proposal that the right of habeas corpus should be retained during a state of emergency.

Negotiations between the Government and the PNV are taking place during the latest upsurge of violence in the Basque country.

Late last night Basque rioters extended into a Madrid suburb when riot police clashed with over 3,000 Left-wing demonstrators protesting at the death of a student killed in Pamplona last weekend.

## Portugal boosts tobacco output

BY OUR OWN CORRESPONDENT

CORUÑA, Portugal, July 13.

A TOBACCO project designed to save Portugal about 500m escudos in valuable foreign exchange by 1983 is moving ahead successfully in this central farming region near Lisbon.

In five years the nationalised tobacco company, Tabacalva, hopes that Portugal will be producing 5,000 tonnes of Virginia and Burley tobaccos on about 2,500 hectares in several areas of the country.

At current prices on world tobacco markets this would be a useful contribution to the balance of payments problem.

St. João Melo Torres Campos, Tabacalva's administrator, said the projected production figures would represent about 35 to 40 per cent of Portugal's tobacco needs at that time.

The Virginias and Burleys being grown are filler tobaccos rather than aromatics and Portugal, along with most European producers, will have to continue importing the flavoured leaf from traditional markets.

Tabacalva has spent 25 120m in the past three years on encouraging tobacco cultivation

and building bulk curing barns in seven main regions of the country. The project got under way about a year after the 1974 revolution when for the first time it became legal to grow tobacco in Portugal.

Previously only the ex-colonies of Mozambique and Angola had been producing. Technicians and others formerly involved in tobacco farming there have provided the boost to its cultivation in Portugal.

In 1977 Tabacalva used 12,500 tonnes of tobacco in producing its large range of locally consumed cigarettes and other products. In the first six months of this year, St. Campos said, consumption was showing an up and down trend although a 43 per cent average increase in cigarette prices, resulting from heavy new taxes, would probably cause a 10 per cent drop in the next 12 months.

The company, which has a monopoly on tobacco production and sales in Portugal is unworried by growing Government and public health concern over smoking's effects on health.

While there is still no full-blown anti-smoking drive in Portugal, the use of cigarettes in many public places, on public transport and in some shops is forbidden. The infant tobacco growing industry is organised mainly on a co-operative basis although several private farmers are also involved.

When a new producer starts up, Tabacalva guarantees a minimum of 10,000 per hectare for the crop and also provides bridging finance until the harvest.

The harvested price is fixed by the Government and Tabacalva on the basis of production costs and a profit margin of about 27 a kilo.

St. Campos says the price is about the same as that paid in Spain and a little lower than Italian farmers receive.

While there are hopes that Portugal may become a net exporter of filler tobacco in the near future, officials are at the moment content with being able to reduce imports. Future membership of the EEC, where France, Germany and Italy already produce tobacco, would mean a certain level of competition in this market.

## Albania isolated after break with Peking

ALBANIA WITHDREW deeper into isolation today after a dramatic ideological break with China and a decision by Peking to halt economic aid to its tiny Balkan ally.

The Albanians whose living standards are already the lowest in Europe, appeared to be digging in for a long siege, determined to challenge both Soviet "revisionism" and Chinese "opportunism."

The break between Peking and Stalinist Albania, China's only European ally, was formally announced from Tirana, the Albanian capital, late last night. The official Albanian news agency ATIA said that China sent a diplomatic note last Friday saying it was stopping economic assistance, suspending all economic and military financing, and withdrawing all technical experts from Albania.

The Albanians, closely allied with the Soviet Union in a similar ideological quarrel in 1961, called the Chinese decision unilateral and arbitrary and "a conscious and premeditated step to aggravate relations."

Leslie Collitt adds from Berlin: Meanwhile the warring of Albania has begun by the Soviet-led Warsaw Pact countries following China's cancellation of aid. One of the first positive signals to Albania is being sent by East Germany, the Soviet Union's loyal ally which is increasingly assuming more important roles for Moscow in areas where the Soviet Union does not wish to be directly involved.

Buried deep inside yesterday's East German Communist Party newspaper Neues Deutschland is what looks on the surface to be an innocuous report about a national Albanian folklore festival to be held later this year. The dispatch, datelined Tirana, goes on to describe preparations now under way for this "most important cultural event" in Albania.

## Norway's trade improves

BY FAY GJETER

OSLO, July 13.

NORWEGIAN TRADE figures for the first half-year show an unexpected improvement, with exports 1.8 per cent higher, by value, than in the first half of 1977, and imports 0.2 per cent lower. This is the opposite of Government forecasts in the national budget.

June exports, at Nkr 5,983m, excluding ships, were the highest ever recorded in a single month, while imports, excluding ships,

were only Nkr 4,605m—the lowest for any month since May 1976. The June figures were boosted, however, by the export of offshore drilling and production platforms worth Nkr 2,417m.

Mr. Per Martin Oberg, Deputy Trade Minister, says the fall in imports indicates that the Government's austerity measures are beginning to take effect.

Exports are developing rather better than the Government anticipated.

The improvement in the underlying rate of inflation is matched by some indications, on a seasonally adjusted basis, that the decline in industrial output may have bottomed out, although the authorities are not putting too much emphasis on the evidence of one month's figures.

ISTAT figures for May suggest that the overall production index was more than 2 per cent off over the corresponding month of the previous year, but some slight increase is shown up on a seasonally adjusted basis.

## Few Britons back EEC membership

By Guy de Jonquieres

BRUSSELS, July 13.

PUBLIC SUPPORT in Britain for membership of the Common Market has now sunk to its lowest ebb since EEC entry, according to the latest of the six-monthly "Euro-barometer" opinion polls conducted throughout the Nine by the European Commission.

It finds that the proportion of the British public approving of membership has slipped to only 29 per cent, down from 35 per cent the previous autumn. The number of outright opponents remained stable at 38 per cent, while 28 per cent had no opinion either way.

The previous low point in public approval of the EEC was registered in September 1973, nine months after Britain joined, when 31 per cent of people said that they were in favour of membership. The Community's most popular period in the UK was during late 1975 and 1976, when roughly 50 per cent of public opinion was in favour.

Though pro-market sentiment remains weaker in Britain than in any other of the Nine, recent months also appear to have witnessed the growth of disaffection with the EEC elsewhere. The only country where the proportion of pro-market supporters has increased since last autumn is the Netherlands, where an overwhelming 78 per cent are in favour.

By contrast, interest in the forthcoming direct elections to the European Parliament appears still to be running at a high level. While less than 60 per cent of the public supports EEC membership, 71 per cent say they favour direct elections and 77 per cent say that they are likely or certain to vote in them.

In Britain, 65 per cent of people favour the idea of the election, and 73 per cent declare that they intend to participate in them.

The poll provides no explanation for this apparent enthusiasm. Less than half of those polled throughout the EEC believe that the elections will advance the process of integration, while a slightly smaller proportion say that the elections will enhance their feeling of being "citizens of Europe."

**Dutch consider participation system change**

By Charles Batchelor

AMSTERDAM, July 13.

HOLLAND is studying a plan to give the workforce and shareholders a greater say in the supervisory Board—the top level of the two-tier Board system—and a limited right of veto.

But the final word still lies with existing members of the Board who co-opt new members.

The Government has now asked the Social Economic Council (SER), an advisory body with employers' representatives, to government, union and stock's issue.

The council has been asked to decide whether the present system should be continued or modified, or whether it should be replaced by one where the employees and the shareholders each nominate one-third of the members and both sides agree on the remaining third.

The SER has also been asked to recommend whether the system of supervisory Boards should be extended to cover co-operative associations and other large groupings.

Holland today announced it will value its gold holdings to bring them more into line with current market prices. The Dutch will value their sizeable gold stocks at Fl 500 (\$83,300) per kilo from August 1, exceeding with the present rate of just over Fl 4,000.

The net effect of the increase is to raise Holland's total gold and foreign exchange reserves by 22 per cent to Fl 23,350 (\$10,500).

This follows a revision of the articles of the International Monetary Fund (IMF) aimed at reducing the role of gold as a measure of monetary value.

## WEST GERMAN CHEMICAL INDUSTRY

## Competition hits sales

BY GUY HAWTIN

FRANKFURT, July 13.

THE WEST GERMAN chemicals industry has failed to meet its own very modest growth targets set at the beginning of the year. During the first five months of 1978 sales were down on last year's figures, while profits which fell heavily in 1977, suffered further attrition.

A report by the country's Chemical Industry Association, the Verband der Chemischen Industrie (VCI), said that the latest data showed that sales in the sector during the first five months of the year were about 1 per cent lower than in the comparable period of 1977.

Admittedly the statistics look better than those for the first quarter, when turnover was running at 2 per cent below the opening three months of 1977. However, the first quarter turned out to be the best part of last year and the industry was in a dismal decline in the months that followed.

Profits have continued downwards, said the report. Despite far-reaching rationalisation measures earnings industry-wide dropped by 18 per cent in 1977. Nor was there any let-up in the first half of the current year and earnings fell by about 25 per cent against the performance in the same period of 1977.

Although a certain improvement had been noticed in the months of May and June, the report said the industry could hope for the first half of a stagnant level of sales volume at the 1977 level, said the association.

The underlying reasons for the industry's difficulties are mainly the tough price competition, particularly in the bulk products sector. In the opening five months of the current year pro-

ducer prices fell back by 1.7 per cent. Chemicals export prices were under very severe pressure and had dropped by 4 per cent below the level of 1977. Declining prices meant that the industry could no longer bank upon even the modest 3 per cent improvement in production hoped for at the beginning of the year.

The industry's problems are not merely a result of the world's low level of economic activity, said the association. In many countries there were distinct trends towards protectionism and market control.

In many branches of the industry the current under-utilisation of capacity was being further exacerbated by the undiminished build-up of production capacity of basic and bulk chemicals in many Comecon countries, as well as the construction of petrochemical plants in oil-producing countries.

In this statement the West German chemicals industry has played a major role in building up the chemicals production capacity in both eastern Europe and among the oil producers. The effects of this has been felt in a number of sectors, including man-made fibres and, latterly, fertilisers, for some time.

The industry, according to the Association, is continuing to compete and hold on to its market despite its extraordinary difficulties. However, the VCI wants to see "strict and fast" measures against dumping practices and low priced imports in order to head-off protectionist developments.

On the profits front the Association says that the West Ger-

man industry is not only being hard hit by production capacity overhangs and extraordinarily hard international price competition. Among its most knotty problems is the appreciation of the Deutschmark against the currencies of its most important competitor nations.

Despite the massive rationalisation that has taken place in the industry in the past four or five years, profits have been squeezed greatly. Margins have been reduced by the need to remain competitive abroad and as a result of increased foreign competition in the domestic market.

In the view of the VCI the industry's best prospects for maintaining and improving its international competitiveness comes from concentrated capital investment and exhaustive research. Last year the West German chemicals industry invested a total of DM 5,480 (\$2,448m), with research spending totalling DM 4,580 (\$2,200m).

The industry would like to see increased incentives for private investment in order to bring about a stronger economic improvement in the Federal Republic. It is also appealing to the Government for a reduction in its trade tax and patent tax burden, as well as a more liberal application of the country's environmental protection requirements, which are among the toughest in the world.

For the short term it is hoping for improvement in business during the second half of the year, particularly the autumn. However, last year the traditional second-half upturn failed to materialise and some of the industry's leaders appear sceptical about the prospects of one in 1978.

The dangers, however, would also be considerable. Although trade with Britain has fallen below the normal level of 50 per cent of total trade the UK is still far and away Ireland's biggest trading partner and any dislocation could have repercussions on employment. A higher Irish pound might use Ireland more unattractive to British tourists, who already find it expensive in comparison with cheap continental packages. Farmers would benefit less from EEC adjustments due to depreciation and the thought of separate currencies for the Republic and Ireland could assume the proportions of a political and economic nightmare.

For these reasons officials in Dublin are being careful to stress that no decisions need be taken, for some time yet, certainly not until after the detailed proposals are discussed at the end of October.

**Irish study Bremen proposals**

BY OUR OWN CORRESPONDENT

DUBLIN, July 13.

THE HEALTHY showing of the Dublin gilt market this week, is being attributed in some quarters to interest from London buyers caused by speculation about the possibility of a break in the link between the Irish pound and sterling. If so, it is highly speculative, but it may perhaps be a measure of the interest generated by what the Irish Prime Minister Mr. Lynch has called the first practical possibility of breaking the link since the foundations of the Irish Republic.

That possibility has been provided by the scheme to link the European currencies proposed at the recent summit meeting in Bremen. The Irish Finance Minister Mr. George Colley, has been given the task of formulating Ireland's detailed views on the scheme. But Mr. Lynch indicated his favourable attitude in Bremen, where he sat on the working party with Chancellor Schmidt and European President

Roy Jenkins, which produced the draft proposals. The problem is British reservation about the scheme. Should Britain decide in the end to opt out, the alternatives facing Ireland would be to opt out, or to break the party link with sterling and tie in with the stronger European currencies.

In such circumstances the temptation would be for Ireland to break the link and opt out. The Republic has been much more pro-EEC than the UK and tends to see its historic destiny as moving closer to Europe, and away from Britain.

It could be practical advantages as well as the boost to national prestige and pride. Ireland could expect that it would no longer "import" UK levels of inflation, as a result of the sterling link and also particularly with the European reserve of 50,000m dollars to protect its currency, the Irish pound might rise higher than sterling.

No less than the Communist Party, which has been shaken by a campaign led by the party's intellectuals, questioning the strategy adopted during the last General Election and calling for greater internal democracy, the Socialist Party is currently in the throes of an agonising reappraisal. Whereas, before the election, the Socialists were broadly divided into a relatively moderate majority and a volatile left-wing minority, representing some 25 per cent of the membership, there are now four factions.

This divisions are not entirely based on policy disagreements. The clash of personalities between M. Mitterrand and what were once his closest lieutenants and remain his heirs apparent, M. Pierre Mauroy and M. Michel Rocard, has been important in fanning the flames of dissent. M. Mitterrand, it is felt by an increasing number of the leadership and rank and file, has been running the party as an absolute monarch. He has not only excluded the left-wing CERES group from the National secretariat, but has failed to take into account the various streams of opinion within the majority of the party.

M. Mauroy, the genial 50-year-old Mayor of Lille and leader of the powerful Nord department party federation, has been in the vanguard of those demanding more democratic procedures. The national secretariat should be directly elected and regional federations should be given a greater say in the party's ruling bodies, he has proposed.

M. Rocard, for his part, has been concentrating most of his energies on persuading the party to take a more genuinely social-democratic line and would like it to make a clear break with the Communists. This brilliant 48-year-old graduate of the famous Ecole Nationale d'Administration, the nursery for top civil servants, has all along been an ardent defender of a mixed economy and was one of the staunchest opponents of the Communists' sweeping nationalisation proposals.

Ideologically, M. Mauroy and M. Rocard are very close, but the former is more cautious in his appreciation of the party's future strategy and tactics.

Caution, too, is the watchword of M. Mitterrand and his supporters. Though everyone, except perhaps the CERES

group, accepts that the Common Programme of the Left is a dead letter and would have to be thoroughly modified before the Socialists ever put their name to a new agreement, M. Mitterrand still adheres to the concept of a Union of the Left. Adopted as the official strategy at the renovated Socialist Party's first congress in Epinay in 1971 and consecrated by the signature of the Common Programme of the Left a year later, an alliance with the Communists continues to be regarded by M. Mitterrand as the only way in which the Left could come to power.

Clearly, the Socialist leader is looking forward to the presidential election in three years' time, in which M. Giscard d'Estaing, bolstered by the prestige of seven years as President of the Republic, can only be beaten by a candidate who has the support of a united Left. If the Left again slips this opportunity of entering the halls of power, its chances of winning the next General Election in 1983 will also be jeopardised.

Electoral tactics, combined with the personal ambition of

having one last fling at the Presidency—M. Mitterrand will be 65 in 1981—appear to be the main motives behind the Socialist leader's current stand. He has never espoused extreme left-wing doctrines and has little cause, after what happened during the last election campaign, to like the Communists. But, from M. Mitterrand, politics is very much the art of the possible and he considers that, having polled no more than 23 to 24 per cent of the popular vote in the last General Election, the Socialist Party would condemn itself if it decided to go it alone.

For M. Rocard and his friends, this is by no means a self-evident truth. The Socialist Party, over the past few years, has greatly increased its strength. Its membership now covers very wide spectrum of the electorate. It has gained many supporters in what were once conservative strongholds, such as middle management and the civil service, as well as making large inroads into the working class, traditionally a Communist preserve. A substantial number of Communist supporters, disillusioned with their party's

destructive tactics during the last General Election campaign, have switched to the Socialists, it is claimed. The political vacuum between the Right and the Communist Left is crying out to be filled by a genuine social-democratic party on the Swedish model.

The fact is, however, that when M. Mitterrand made his appeal for unity at the recent meeting of the party's executive committee, neither M. Rocard nor M. Mauroy made any public attempt to question the Epinay line on the Union of the Left. "What is at stake," M. Rocard said somewhat lamely, "is not the fundamental question of whether this line is correct, but how it should be applied in practice."

M. Mitterrand, who also promised on that occasion to do something about introducing a more democratic system for electing party officials, thus lives to fight another day. For the moment, he still stands head and shoulders above his rivals, if only because he can muster the support of a much larger and varied section of the party when

it comes to the crunch than they can.

What is new, however, is that the throne has begun to crumble. It will need all M. Mitterrand's famous political skill to keep his unruly barons under control at the next congress. There can be no guarantee that his crown, already askew, will not be tipped from his head.

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## AMERICAN NEWS

## Europe \$ plan bothers U.S.

BY JUREK MARTIN, U.S. EDITOR

THE U.S. is concerned about the use of the dollar as an international currency in the new European monetary system, as presented in outline at the Bremen summit last week.

But at the same time, U.S. officials are attracted by the idea of greater co-ordination of European economic policies, implicit in the Bremen text, if it means that the stronger surplus countries, such as West Germany, are obliged to put more emphasis on growth.

In separate interviews yesterday, Mr. Anthony Solomon, Under-Secretary of the Treasury for Monetary Affairs, and Mr. William Miller, chairman of the Federal Reserve, stressed the consistent U.S. policy of encouraging European monetary and economic co-operation.

Mr. Solomon told the Financial Times that, although final judgment on the new European arrangement would have to wait until the details were in place, "there is no reason why it

should not be compatible with the broader needs of the international monetary system."

But, he went on, if the system did require intervention in the foreign exchange markets to narrow differences resulting from disparate national economic performances, "then we would not think it appropriate that a country under pressure is drawing from a pool of dollars when it is really an internal (intra-European) affair."

"We would support the Bremen text," he said, "insofar as intervention is in each other's currency," but, he noted, "the Bremen text does not exclude the use of the dollar."

In conversations earlier this year, when the new system was essentially a gleam in the eye of Herr Schmidt, the West German Chancellor, Mr. Michael Blumenthal, the U.S. Treasury Secretary, is understood to have impressed on the Chancellor that the U.S. would prefer that the Deutschmark be the major intervention currency, reflecting West Germany's economic

strength inside Europe.

In his interview with a group of foreign journalists here, Mr. Miller declined detailed comment on the Bremen scheme, though he thought it constituted no particular threat to the dollar.

But, in a more philosophical vein, he said he saw "no disadvantage" in allowing to emerge evolutionary developments which could lead to the sharing of the international monetary burden. The dollar had had to bear disproportionately in recent years. He added that moves towards greater European integration and other similar regional activities (such as "a yen zone in the Far East") should be looked at "objectively and with a sense of favour."

Mr. Solomon and Mr. Miller denied that the U.S. had any dramatic new monetary initiatives in the offing, to be presented at the Bonn summit elsewhere. Mr. Solomon said that speculation about a scheme which would link the dollar, the Deutschmark and sterling was

WASHINGTON, July 13.

"idle gossip." The U.S., he said, remained opposed to such "target zones."

Mr. Solomon, however, did acknowledge another potential reservation about the Bremen scheme, which has also been privately voiced by some senior members of the International Monetary Fund (IMF). This concerns uncertainty on the extent to which the new European arrangement might detract from the surveillance of foreign exchange policies conducted by the IMF.

This surveillance authority, now enshrined in changes in the IMF's articles of agreement, is considered of extreme significance, as are the conditions which the IMF lays down in return for advancing loans. Some developing countries have complained privately that although the European plan contains provisions for conditionality, the suspicion persists that the European regime would be softer on its members than is the IMF and thereby would bring into being an invidious dual set of rules.

## Warning by Miller of 'speculative excesses'

By Our Own Correspondent

WASHINGTON, July 13. MR. WILLIAM MILLER, the chairman of the Federal Reserve Board, warned today that mounting inflationary expectations "raise the spectre of possible speculative excesses, leading to a short-run explosion of credit and output and subsequently to a recession."

However, he told the House of Representatives Budget Committee that Fed policy was designed to "minimise the possibility of such an outcome."

In an interview at the Fed yesterday afternoon with a group of foreign journalists, Mr. Miller doubted that a credit crunch was in the offing, largely because there was sufficient leeway in monetary and fiscal policy to prevent this.

His more alarmist comments to the House committee this morning, therefore, may be seen as part of his consistent effort to warn of the consequences of failure to control inflation. Wire service reports of his remarks today, however, knocked the credit markets in New York sharply downwards.

In his interview, he noted approvingly the recent trend towards greater economic discipline in the Administration and the Congress. He observed that the reduced Budget deficit projections for the next fiscal year should cut the Federal borrowing requirement by about \$12.5bn, which should ease undue strains on the credit markets.

The Fed's policy, he said, was designed to constrain the economy without running the risk of recession. He explained that he had voted against the latest increase in the discount rate two weeks ago because the economic data of the time did not give a sufficiently clear picture of the course the economy was about to take, after a flat first quarter and vigorous real growth in the 8-9 per cent range in the second three months of this year.

## OVERSEAS NEWS

## UN soldiers kidnapped in Lebanon 'by Palestinians'

BY HSAN HIJAZI

BEIRUT, July 13.

PALESTINIAN GUERRILLAS kidnapped and later released 40 UN soldiers in Lebanon. The UN Force in Lebanon (UNFIL) spokesman today denied (UNFIL) sources close to the force said today. They reported that the soldiers were abducted in three and four yesterday in and around the southern port of Tyre, where UNFIL has a big garrison. They were released in the evening.

A UN spokesman said that "armed elements" kidnapped UN soldiers and then let them go unharmed. Talks were underway to avoid such incidents happening in future, the spokesman declared, but gave no details.

The incident was described as the worst confrontation between the guerrillas and UN troops since the shootout which took place in Tyre last May 2, in which several UN soldiers were killed.

Western diplomats said the situation in southern Lebanon is deteriorating fast and related it to the tension in Beirut.

The diplomats said most of the

kidnapping was done by the militant Popular Front for the Liberation of Palestine. But a UNFIL spokesman today denied any involvement by the group.

The reason for the kidnapping was not disclosed, but it may have been a retaliation to the confiscation by UNFIL of weapons from guerrillas during the past few days. The commandos were reportedly trying to infiltrate behind UN lines.

So far about 150 guerrillas have succeeded in getting behind UNFIL's positions. Observers believe if fighting should break out again between Syrian troops and Christian militias here, the guerrillas will make an all-out attempt to go back to their bases in the south.

They were driven out of the bases and pushed over the Litani river when Israeli forces invaded the south in March.

## Australian fare rise

BY OUR OWN CORRESPONDENT CANBERRA, July 13.

AUSTRALIA'S DOMESTIC air fares rose by an average of 6 per cent tonight. The rises, approved by the Government at the request of the airlines, were announced by the Minister for Transport, Mr. Peter Nixon.

He said they were necessary to cover wage and fuel cost increases, and would have only a minimal effect on the Consumer Price Index.

The rises range from 4.1 per cent on the long Sydney to Perth and Sydney to Darwin flights, to 10 per cent on the short Sydney to Canberra route.

## Indian state coalition threatened

BY K. K. SHARMA

NEW DELHI, July 13.

THE COALITION Government of Maharashtra State in which Mrs. Indira Gandhi's Congress Party is a partner, looks certain to be toppled in a few days.

The crumbling coalition, formed after elections to six states four months ago, came suddenly when two Ministers belonging to the official Congress, which is Mrs. Gandhi's partner in Maharashtra—resigned yesterday from the government. Today, 36 legislators announced that they had also withdrawn support from the coalition. As a result it has lost its majority.

The fall of the Government was postponed today only because unprecedented rowdy scenes in the legislature—blows were exchanged—forced the speaker to adjourn the House for

the day. The next sitting will probably be held on Monday.

Janata Party leaders, who have rushed to Bombay, capital of Maharashtra, accused the Congress (I) party which later went on to win two southern states and to form the Maharashtra coalition. It was then widely thought that she was on the verge of staging a political comeback.

Now that she faces criminal charges of conspiracy to commit various offences during her emergency rule—filed against her on Tuesday—and has lost the government in Maharashtra, the reverse trend seems to have set in. Mrs. Gandhi herself is maintaining an unusual silence and has no comment on any of the events of the past month or so during which the Janata Party went through a severe crisis.

## Bolivian Left irked by 'fraud'

By Hugh O'Shaughnessy

POLITICAL PRESSURE is building up in Bolivia after the elections on Sunday which have been reported as fraudulent by foreign observers and opponents of General Hugo Banzer, the President.

Latest reports, with about two-thirds of the 1.5m votes counted, give the lead to Gen. Juan Pereda, the candidate supported by Gen. Banzer, with ex-President Hernán Siles Guata, the principal left-wing candidate, in second place.

If no candidate achieves more than 50 per cent of the votes cast, Congress will have the task of choosing among the leading candidates. According to international Press Service, Siles has been having talks with Sr. Juan Lechin, the principal labour leader, and this could lead to a national strike in protest

## United close to Airbus decision

BY STEWART FLEMING

NEW YORK, July 13.

UNITED AIRLINES, the largest commercial carrier in the world, has called a special Board meeting for tomorrow to consider whether to place an order which could be worth \$2bn for Airbus Industrie's B-10 version of the A-300B Airbus.

It is understood that three choices face the company, which needs a new generation of aircraft to replace ageing aeroplanes in its fleet. It has said it will be spending some \$8bn over the next decade on new jets.

Its choices are to order the 200-seat Airbus B10, which was officially launched into production last week, following an announcement that Lufthansa, Swissair and Air France had placed firm orders for the aircraft. Alternatively, it could

decide to order a new generation of jets which the U.S. aerospace giant, Boeing, is on the brink of bringing into production. Both jets are approximately 200-seat aircraft with wide-body design, but considerably smaller than aircraft such as the Boeing 747, or the McDonnell Douglas DC10.

United's third choice is to postpone a decision and not to order a new generation jet now.

A company spokesman said that the executive committee of United was meeting today in Chicago, and would be putting its views to the full Board tomorrow. Previously, United had said that it would be considering its choices at its regular Board meeting, planned for August 31.

United's decisions could be of crucial importance to aerospace

companies. Earlier this year it was expected that United, which has 231 Boeing jets in its 338-jet fleet, would be the first big airline to place an order for a new generation of Boeing aircraft known as the 767. Such an order would enable Boeing to start production of the jet. It has 1,000 of its design staff working on its new family of jets.

But, last month, it emerged that United was also considering purchase of the main rival to Boeing's proposed new aircraft, Airbus Industrie's scaled-down version of the A300B Airbus, the A300 B10. The European consortium of Airbus Industrie has the edge over Boeing now that its new aircraft is clearly moving into production.

## PRESIDENTIAL ELECTIONS IN ECUADOR

## Civilian rule closer

BY SARITA KENDALL IN QUITO

AFTER MORE than two years of erratic progress towards constitutional democracy, with many delicate and some dangerous moments, Ecuadorians will be voting for their next President on Sunday. But this may not be the last hurdle: a French-style second round must be held if no candidate wins an absolute majority, and none of the six contestants has even 30 per cent of the vote, according to opinion polls.

When Ecuador's military government first announced plans for a return to civilian rule, politicians dropped their own conspiratorial schemes and seized the opportunity—though many political parties were less than delighted with the past chosen by the armed forces. Some boycotted the legal commissions set up to draft alternative constitutions, while others campaigned against January's constitutional referendum, and most have expressed doubts as to whether the final hand-over will be achieved.

No sooner was the new constitution safely chosen by ballot than a series of controversial decisions by the Electoral Tribunal—itsself plagued by frequent resignations—threatened to disrupt the Presidential elections. One of one candidates were eliminated.

First to go was the strongest contender, Guayaquil's populist ex-mayor Assad Bucaram. Barred because of a military ruling that the President has to be the child of a Guayaquil-born parents, Senor Bucaram, who is of Lebanese descent, also fruitlessly tried to stand for deputy mayor of Guayaquil. Though he passed the popular forces mantle to his son-in-law, lawyer Jaime Roldos Aguilera, his face and name are blazoned on election posters, and when he climbs onto campaign platforms, his bulky figure dwarfs the candidates he is supposed to be merely supporting.

Another tribunal decision put two more populist leaders, ex-presidents Carlos Julio Aramendo and Jose Maria Velasco Ibarra, out of the running on the grounds of no re-election. Five-times president and four times deputy, Senor Velasco Ibarra, aged 85, has said he would not be running, but the Government clearly wanted to avoid any risk of renewed domination by a Caudillo.

The Liberal Party candidate, Francisco Huerta Montalvo, was the next casualty, banned by the electoral tribunal because of a lucrative research contract signed with the Government. However, liberal factions were waiting in the wings with his uncle, Raul Clemente Huerta, a Guayaquil politician, who took over the party candidacy with barely a pause to reprint posters.

When four newly-formed political groupings applied for

local government as well as Presidential candidates—the obligatory vote can hardly be enforced.

Despite all these difficulties, as well as the temporary detentions of some party candidates, the campaign has been exemplary by Latin American standards, with virtually no violence. All presidential candidates, regardless of the richness of their campaign chests, have received saturation coverage in the Press, and television has for the first time played a major part in the election raising the level of debate above personal attacks and simple platform haranguing.

But party workers and those taking opinion polls have found great confusion among the electorate, especially as to the political colour of local government candidates.

Two of the leading contenders, architect Sixto Durán Ballén, whose support comes from seven right-of-centre political parties, and Liberal Raul Clemente Huerta, have suffered the stigma of being labelled "civil candidates." Though the military junta has repeatedly denied having a favourite, the armed forces would obviously prefer to hand over to one of these two elder statesmen. Sr. Durán, mayor of Quito for the last eight years, is popular with the capital's business community and appears to be just ahead of the field—yet he is surprisingly unhelpful for someone with much administrative experience.

Once installed, the next president will have to convene congressional elections, and, until these take place, he will have the powers of a civilian dictator. Under the new constitution, the Vice-President will take over the direction of the economy, setting up a national development council. Some Vice-Presidents seem to have been chosen with an unfortunate eye to party alliances and vote catching rather than competence for this position.

With no recent election statistics as a guide and more than a million new voters, few people are laying bets as to who Ecuador's next President will be. If the armed forces can complete their government with a smooth hand over of power, they will give a much needed boost to the process of liberalisation in the continent.

Further sign that the military government, which has been in power for ten years, is continuing to try to set up governmental co-operation with civilians as a first step towards handing power to a civilian government within a couple of years.

The constituent assembly is due to be seated on independence day, July 23. The recent elections gave the parties of the Right and Centre about 65 per cent of the votes, most of the remaining third going to far Left parties.

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Major commercial banks boost earnings: Growth slackens at Colgate; Stronger margins lift Teledyne—Page 29

## Peruvian deportees to return

BY NICHOLAS ASHESHOV

THE MILITARY Government of Peru has officially authorised six left-wing politicians to return to take their seats in the newly elected constituent assembly.

The six were among 17 people, all but one left-wingers, deported by state security police and the army, mostly during May, in final campaigning for the first elections in 12 years. The Government said at the time that they had been taking part in "subversive" activities—taken here as a reference to their support for a successful general strike in May protesting against steep rises in prices of food and petrol.

Only the six successful candidates in the elections are being allowed back, according to the Prime Minister's office.

They are: Sr. Genaro Ledesma, Hugo Blanco and Ricardo Napari, all of the FOCEP party, a Trotskyite-Maoist alliance of union lawyers and militants; Sr. Ricardo Diaz Chavez; and Javier Diaz Canezo of the Frente Democrático Union (FUDU); and an ex-general, Leonidas Rodriguez Figueroa, leader of a faction of the Revolutionary Socialist Party (PSR). Gen. Rodriguez had been arrested as he stepped out of a voting booth on election day June 18.

Another successful PSR candidate, Gen. Arturo Valdez, had gone underground in Peru and presumably now can emerge.

The permission given to the successful candidates was seen by many local politicians as a

LIMA, July 13.

further sign that the military government, which has been in power for ten years, is continuing to try to set up governmental co-operation with civilians as a first step towards handing power to a civilian government within a couple of years.

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## Public expenditure control move backed

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

GOVERNMENT PLANS for a major simplification of the present system of short-term public expenditure control have now received formal backing from both the main Commons committees concerned.

The all-party Expenditure Committee yesterday welcomed Treasury proposals for the simplification of the cash limit control with the estimates presented for Parliamentary approval each spring.

A similar view was taken by the Public Accounts Committee in a report published last month. The Treasury is now likely to start to implement the changes in the 1978-80 financial year.

The Expenditure Committee says it has "no objections

to the Treasury's comparatively limited, but useful proposals." However, its general sub-committee, chaired by Mr. Michael English, the Labour MP for Nottingham West, has also been examining wider issues about possible further changes in the form and content of the estimates. It has also been looking at most aspects of the financial accountability of the executive to Parliament.

A series of public hearings have already been held and the intention is to publish a report before Parliament's summer recess.

The Treasury proposals follow earlier discussions with the sub-committee about reducing from three to two the number of dif-

## Strike at Llanwern cost £20m in lost steel production

BY ROY HODSON

THE RECENT 21-week strike by steel figures with a gloomy prediction that no significant upturn in steel demand can be expected in the near future.

Business is expected to decline during the coming holiday period and no real upturn is anticipated before September/October.

British Steel will be attacking the stainless steel market with new vigour in the coming weeks in order to sell the production of the new £130m stainless steel complex at Sheffield which is being opened today by the Duke of Edinburgh.

## Company fined over effluent

THE STOKES-ON-TRENT pottery company of George Howson, part of the Armistice Shanks group, was fined £800 with £100 costs by the city's magistrates yesterday after admitting six charges of polluting sewers with untreated effluent, containing metal.

Miss Lynn Fenner, for the Severn Trent Water Authority, said that effluent from the works contained amounts of metal well above the legal limit.

Mr. Patrick Isherwood said in mitigation: "This pollution was caused by antiquated equipment which has now been replaced."

## Mortgages doubled in support lending plan

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

MORTGAGE ADVANCES have more than doubled under the building society support lending scheme designed to provide home loans for people who could not normally expect the societies' assistance.

Mr. Reg Freeson, Minister for Housing and Construction, announced yesterday that the scheme has progressed well in the first two months of the financial year. He hoped the rest of the year would prove as successful.

During the first two months a total of 5,200 home loans had been approved under the scheme, involving £11.5m. That compares with 2,200 advances, worth £15.5m, in the same period 12 months before.

According to Mr. Freeson, the increase in advances reflected the growing co-operation between building societies and local authorities. He said the local authority associations, the Building Societies Association and the Department of the Environment had made available guidance on the scheme's operations for all parties participating.

The scheme was introduced in 1975 when local authority mortgage lending was reduced severely after large cuts in public expenditure. Under the arrangement, the societies make available mortgage funds to applicants nominated by local authorities: usually prospective house buyers of modest means

## Action hits phone supplies

BY JOHN LLOYD

ABOUT 90,000 people and connections. The remainder is businesses are waiting for telephones as a direct result of the next year or two.

Industrial action being taken by the Post Office Engineering Union.

New equipment to the value of £60m is lying idle in ex-offices in Bristol, Leeds, Liverpool, Manchester and other cities. The equipment is also immediately required for new used because of the dispute.

## Fluorspar mine verdict today

THE PEAK PARK Joint Planning Board today decides whether to approve a report from the National Park Dresser Minerals International officers which, in a departure from past practice, does not make a recommendation on whether the application should be accepted or rejected.

The report lists the options, a subsidiary of a The report lists the options, a subsidiary of a The report lists the options, a subsidiary of a

## Over 33% of complaints justified

BY DAVID FREUD

MORE THAN A third of the complaints considered by the Ombudsman from February to April this year were found to be wholly justified.

In his fifth report for the 1977-78 session, Sir Idris Pugh, the Parliamentary Commissioner for Administration, published 91 investigations into complaints against 17 Government departments and agencies.

He found 33 of these complaints to be wholly justified. In 29 other cases he criticised some aspect of the department's handling of the issues.

More than half the investigations concerned the Inland Revenue and the Department of Health and Social Security. Sir Idris criticised some aspect of the Inland Revenue's actions in 20 of the 23 complaints investigated, while 10 were found to be wholly justified.

In one tax case there had been a "deplorable delay" of over four and a half years before a complaintant received a tax repayment of £14,500.

One disturbing feature of this case was that several official papers were missing. Sir Idris said: "I cannot discount the possibility that some at least

were mislaid before despatch or mislaid or destroyed in the receiving offices."

The Inland Revenue said yesterday that every effort had been made to find the papers, but with nearly 1,000 offices and 25m taxpayers some papers were bound to go missing. Severe disciplinary action was taken whenever deliberate destruction of papers was discovered.

## £ 'should stay firm for rest of year'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING should remain relatively firm for the rest of the year, according to an international survey of bankers, company treasurers and economists published yesterday.

The median projection is for a slight fall in sterling from this month's high level to \$1.83, around its average earlier in the year. The rate is expected to decline to \$1.77 by the middle of next year.

Only a small recovery in the dollar is expected during the next 12 months.

Just over half the 250 respondents to the survey were from the UK and they were slightly more bearish than people abroad about the prospects both for sterling and inflation.

The Amex Bank survey indicates a rise in both short-term interest rates and in the 12-month rate of inflation in four major industrialised countries—the U.S., UK, West Germany and France.

The acceleration is not, however, expected to be significant and only a small rise in inflation is projected in the U.S. and West Germany.

In the UK, the 12-month rate is expected to increase from between 7 and 8 per cent at present to 8.2 per cent by the end of 1978, and 11.2 per cent by the middle of next year.

Interest rates on three-month deposits in the UK are expected

to increase from 9½ per cent at present to 10½ per cent by the end of this year, but then to fall to 10½ per cent by the middle of next year.

Three-month Eurodollar rate is projected to rise from 8½ per cent now, to 9 per cent by the end of the year, but to drop to 8½ per cent by mid-1979.

## Self-sufficient tourist 'threat'

By Christopher Dunn

CHANGING PATTERNS of tourism may harm the economies of Hampshire, the Isle of Wight and parts of Dorset, Mr. David James, director of the Southern Tourist Board, said in the board's annual report, published yesterday.

A shift from serviced accommodation towards self-catering arrangements was accelerating. "The region has one of the largest stocks of serviced accommodation in the country. If its use continues to decline, it could have serious repercussions."

He added: "There is an underlying trend of decreasing expenditure and an increase in tourist numbers."

During the peak third quarter of 1977, the region attracted 127 tourists a square mile by day and 59 by night, a density second only to London's.

## Race question likely in 1981 census

BY PAUL TAYLOR

THE GOVERNMENT intends to include a question on race or ethnic origins in the 1981 Census of Population. The Government White Paper on the census was published yesterday and Mr. Ian Gough, Minister of State for the Home Office, said the Government had decided "in principle" to include the controversial direct question for the first time.

Mr. Gough promised a full public debate on the census and said the Government would take any views expressed into consideration when deciding on the final form for the questions.

The 1971 census had included an indirect question on race, asking about place of birth, but this had only been partly effective. The White Paper stresses that the question on race is important to provide the Government with reliable figures on which to base future community relations policies.

and to monitor the Race Relations Act.

Three forms of the questions are being tested at present on small sample groups and details of these are to be published in ten days.

The 1981 census is expected to cost £45m at November, 1978, prices with 20m forms asking 27 groups of questions distributed and collected by a team of 100,000 temporary enumerators in England and Wales.

Names and addresses will not be fed into the computer that will analyse the census forms. There will be safeguards to prevent unauthorised access to the computer data.

Census forms in Wales and Scotland will include a question about Gaelic and Welsh language. Provisional census day has been set for April 5, 1981, and there will be full-scale tests involving between 60,000 and 80,000 people next year.

1981 Census of Population, SO Cmd. 7146, 40p.

## Lane attacked over claim on forced repatriation

BY CHRISTOPHER DUNN

MR. DAVID LANE, chairman of the Commission for Racial Equality, was severely criticised yesterday by the Commons Select Committee on Race Relations for a passage in his evidence on UK membership of the EEC and race relations.

Mr. Lane said that an applicant for registration as a British citizen "cannot rule out in his own mind the possibility that in future, 'induced', if not forced, repatriation of New Commonwealth and Pakistani settlers may well become an acceptable option even for the main political parties in this country."

Mr. Fred Willey, chairman of the committee and Labour MP for Sunderland, said the passage was disgraceful.

"I am hopping mad about it. It is carelessly and mischievously drafted."

"You are causing the greatest anxiety," he told Mr. Lane.

People would quote the passage as the view of the commission and that was virtually playing into the hands of extremist groups like the National Front. Mr. Lane, who was also attacked for not dissociating the commission from the views in the paragraph, agreed to delete it from the evidence.

# COLT SIGMA

## The car that drives you miles with excitement



**'There is no doubt that the Sigma 2000 has an extremely high standard of equipment and trim specification which few European cars can match.'**

This was Autocar's unbiased verdict. (Road Test 29/1/77)

Using a new concept in 4-cylinder engineering.



The Sigma is powered by one of Mitsubishi's new generation of 'Silent Shaft' engines. Cruising at 70mph, the engine ticks over at only 3250 rpm — just a little over half way to the red line. Autocar endorsed it by saying 'the Sigma 2000 can be quite happily cruised all day long flat out without any signs of stress from the engine'.

### Unusual comfort

The driver's seat offers extra adjustment for perfect comfort with 3-way lumbar support, 18 backrest positions and 3 tilt positions. Tilt adjustable steering is also standard. You'll also find that the Sigma 2000 has reclining rear seats, with built-in head restraints as a standard feature.

### Lavish instrumentation

The cockpit layout is impressive and highly functional. Instrumentation includes rev. counter, 120 mph speedometer, fuel and water temperature gauges, clock, cigar lighter, push-button radio, and oil/charge, 'door open' and handbrake warning lights. The Sigma's smooth powerful lines were developed for maximum performance and efficiency. Independent suspension and wide, steel-braced radial tyres enhance the Sigma's 'cat-like' roadholding and manoeuvrability. A slick 5-speed gearbox is standard.

### Warranty

The Sigma is covered by a 12-month 'no-exclusion' unlimited mileage warranty and requires major servicing at only 10,000 mile intervals. You could also benefit from Colt's own special 'money-saving' insurance scheme at Lloyd's.

### Leasing

With Colt Leasing you can leave your capital largely untouched and entitle your Company to full tax relief. After your 1, 2 or 3 year agreement expires you can up-date your car to the latest model with a new leasing agreement, and even make a profit on the residual value of the old car, according to the agreed depreciation levels. For example an initial outlay of less than £850 could bring you immediate delivery of the luxury Sigma 2000, shown here. Contact your local Colt Dealer for full details.

### Colt 'On-the-road' prices

SIGMA 1600 GL £3700 SIGMA 1600 GL Auto £3980  
SIGMA 2000 GLX £4220 SIGMA 2000 GLX Auto £4500

Prices shown are rec. retail prices applicable to U.K. mainland only and include 'Seat Belts' 'Number Plates' 'Radio' 'Heated Rear Window' 'Delivery' 'Car Tax' 'VAT' \*Specifications quoted throughout for Sigma 2000 model. \*Correct at time of going to press.

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## HOME NEWS

## Alfred Herbert refers deal to police

BY JOHN MOORE

LAWYERS representing Alfred Herbert, the State-owned machine-tool group, have recommended that the company should refer to the police a deal to sell its Coventry offices, its Coventry offices, should be referred to the Metropolitan Police fraud squad.

Last night Sir John Buckley, Alfred Herbert's chairman, said that after a prolonged investigation "our legal advisers decided that the matter should be referred to the fraud squad for further investigation and so the Board have decided that this should be done."

Herbert's investigation into the matter was conducted by three ex-police officers in the Graham Miller loss-adjusting organisation over a four-month period.

In July last year Herbert bought Draywood House from Shrewsbury Securities for £1.2m and resold it at a near £1m profit in South Yorkshire County Council.

Herbert's investigation examined the initial purchase, which was through an intermediary, not Shrewsbury directly.

## Ryder letter forged with Letraset kit

THE DAILY MAIL paid £15,000 in 15 notes for an exclusive story about the British Leyland "slush fund" only to discover the main piece of evidence was a fake, it was claimed at the Old Bailey yesterday.

It was also alleged that Mr. Graham Barton, a former Leyland executive admitted he had forged a letter from Lord Ryder, then chairman of the National Enterprise Board, to Mr. Alex Park, then Leyland's chief executive, with a Letraset kit.

The £15,000 and the Letraset kit were mentioned in evidence by Mr. Nicholas Guitard, a freelance journalist who introduced Mr. Barton to Daily Mail journalists.

Mr. Guitard said Mr. Barton was carrying out a survey into "bribe" to be paid abroad by British Leyland.

The Mail ran the story after paying £15,000 and took possession of a number of documents from Mr. Barton.

Mr. Barton and his wife, Patricia, of Hounslow, Middlesex, are charged with forgery and dishonestly obtaining money from the Mail. They have pleaded not guilty between them to a total of five charges.

## Ready-mix ruling delayed

By Elinor Goodman, Consumer Affairs Correspondent

THE Office of Fair Trading's attempt to get an order from the Restrictive Trade Practices court preventing ready-mixed concrete companies from colluding on prices was delayed again yesterday on a technical point of law.

The delay will be embarrassing to the OFT which had hoped that the fate of these companies would serve as an example to others which failed to obey the restrictive practice legislation. In practical terms, however, the order should eventually be made when the court meets again, probably in October.

The hearing was supposed to be the final stage of the case which began last year when 44 ready-mixed concrete companies were found to have been operating cartels which should have been first referred to the Trade Practices Court.

The court did, however, yesterday uphold the Office of Fair Trading case against eight dozen companies before submitting them for registration. Seven of the companies gave undertakings not to operate the agreements again without registering them first while the court made an order against the eighth. Costs were awarded against the companies.

## Chelsea club creditors reject offer

A PLAN by Chelsea Football Club to renounce many of its small debts has been rejected yesterday by the club's unsecured creditors at an informal meeting.

The club has already paid 20p in the £ for its debts, and instead hoped a "renewal" of the club's financial position would allow full payment at some future date.

The club has already paid 20p in the £ for its debts, and instead hoped a "renewal" of the club's financial position would allow full payment at some future date.

## Oil industry fears grotesque—Minister

BY RAY DAFTER, ENERGY CORRESPONDENT

DR. DICKSON MABON, Minister of State for Energy, yesterday took steps to allay oil industry concern that confidential information on North Sea activities will be used to give British National Oil Corporation a commercial advantage.

He said that the idea that the Department of Energy and the state oil corporation were "conspiratorially" cheating oil companies was "grotesque."

"If this department got the reputation that it could not be trusted, it would get very little information. We would be ruined."

Dr. Mabon was commenting on a dispute within the oil industry over which company found the oil corporation's new field on block 30/17 of the North Sea.

A letter written under a non de plume to The Times claimed recently that the department had passed confidential information, gained from Shell and Esso, on the geological prospects of the block to the oil corporation and that the corporation had used the information to make its oil discovery.

The department has already denied the allegation but yesterday Dr. Mabon went out of his way to reinforce the denial. He added that it was also important for the oil corporation to recognise the importance of "compartmentalising" its operation; of keeping its monitoring of confidential information separate from its commercial operations.

It is this latter point which is worrying oil companies most of all.

While no-one in the offshore industry has openly accused the department of passing secret information to the oil corporation, it has been stated by the UK Offshore Operators' Association, and others, that there is concern about the corporation using information gained through state participation agreements to enhance its own commercial operations.

In some cases special clauses have been written into state participation agreements in order to safeguard companies against the possible misuse of information.

The Government and the oil corporation has now completed its negotiation of participation agreements covering all commercial fields in the UK sector of the North Sea.

About 62 companies have agreed to give the corporation a voice and a vote in offshore operating committees and a right to buy up to 51 per cent of all the oil produced.

Consequently, by 1980 the oil corporation will have access to more than 25m tonnes a year of North Sea crude, either through its own equity interest in fields or through such participation deals.

In addition the corporation will be able to accept royalty payments in crude oil, a move which should increase its control over UK North Sea crude to more than one-third of the total produced.

Dr. Mabon said most groups had accepted that the corporation, through its growing technical competence, could make a real contribution to offshore operations.

Furthermore, it was never the Government's intention to give the corporation the power of veto. "That would have made BNOOC a bully-boy."

But oil companies are still uneasy about the possibility of the corporation and the Energy Department increasing the degree of state participation. It was pointed out last night that plans for giving the oil corporation greater influence under the sixth round of licences and proposals for giving the corporation preferential treatment in any change of licence partnership were undermining the confidence of oil companies in the commercial attraction of the North Sea.



THE WEMBLEY Conference Centre in London has been earmarked for an exhibition of the world's electric vehicles in October, 1980, writes Terry Dodsworth.

Organised by the Electric Vehicle Association and the Electricity Council, the show is expected to bring together representatives from all the significant electric vehicle producing nations, including Japan, the U.S. and the EEC.

The association said yesterday that it is aiming to make the event the largest exhibition and conference ever staged on electric vehicles.

The association has recently been successful in bringing together European manufacturers in the field under an umbrella pan-European electric vehicles association, which is likely to receive funding from the EEC.

Yesterday it showed a representative selection of the vehicles which are now in use in Britain as a preliminary to its conference. The variety of product, as seen above, underlines the fact that Britain is by far the largest electric vehicle market in the world.

## Car manufacturers seeking product liability insurance

BY ERIC SHORT

THE SOCIETY of Motor Manufacturers and Traders is seeking to arrange comprehensive insurance for its members to cover product liability and product recall, two areas of liability that are likely to increase in importance.

It has commissioned three leading insurance brokers to undertake a feasibility study into the requirements, in designing an insurance scheme and testing the market regarding underwriting the risks.

If the results of the study are encouraging, the society will discuss with the brokers a suitable brief for establishing the insurance scheme.

The primary aim of the plan is to provide the society's smaller members with the necessary cover at a price they can afford. Some members have reported difficulty in getting product liability cover in the U.S. and product recall is virtually uninsurable.

Although the society has started investigations well ahead of legislation on product liability, there is a growing trend by the public to take legal action against manufacturers over injuries arising from defective products.

The EEC directive on the subject is to be considered by the assembly in the autumn, but considering the other processes to which it will be subject it might be five years before legislation is implemented in the UK.

## Allegro case appeal considered

BY OUR MOTORING CORRESPONDENT

BL CARS is considering an appeal against the award of "substantial damages" made in a Middlesbrough court on Wednesday in which Mr. Justice Willes ruled that the company was liable for a "battering" of wheels coming off its Allegro model.

The company said yesterday that the ruling was long and complex and would be studied in detail by its legal advisers before any response.

But there were also indications last night that BL, formerly British Leyland, might be considering a recall of 140,000 Allegros made before November, 1973, for washers to be fitted to the rear hubs.

Such action would accord with Mr. Justice Willes' remarks in court in which he said: "In my view the duty of care owed by Leyland to the public was to make a clean breast of the problem and recall all cars for safety washers to be fitted."

That followed a judgment against BL in a case concerning a motorway crash in which a woman was paralysed.

After the case the British Safety Council, an independent industrial safety organisation, said it would increase pressure on the Government to provide similar facilities to the motorists to those guaranteed in the United States by the National Highway Traffic Administration.

In particular, it supports creation of a Government-backed facility for the public to bring safety anxieties about new cars to the attention of a central body for action. The Council accused the Department of Transport of "complacency" over the present situation.

## Simpler benefits system urged

BY PAUL TAYLOR

MORE RIGID rules governing the rights of claimants to supplementary benefits and a simplified system for assessing payments in the first few weeks of a claim are two of the main suggestions in a report on the benefits scheme published yesterday.

The internal report—prepared for Mr. David Ennals, Social Security Secretary, by a team of department officials—has taken two years to prepare.

It puts forward a series of important changes to the social assistance system aimed at simplifying the supplementary benefits scheme and making more effective use of its resources.

Other major changes suggested in the report include greater equality in the treatment of married women, simplified rules for assessing claimants' resources, new long-term rates for the unemployed, lump-sum payments instead of some discretionary benefits and changes in the for which it was "neither originator nor subsequently adapted."

It was set up to play a small part in the Social Security Act, 1976, but has been under review for more than three years. It is now being reviewed by a team of 3m people who are receiving benefits under it compared to 3.5m in 1976. If dependents are included the scheme was providing a total of almost £2bn to 5m people, 10 per cent of the population, last year.

While the proportion of pensioners benefiting from the scheme has dropped dramatically during the past 13 years the number of unemployed and single parents has risen steadily.

The report discloses that 1.8m people have insurance benefits that need supplementing and a further 1.1m have no insurance benefit at all.

Parliament should lay down rules in a more precise form, or alternatively, draw up a binding code of practice. This would help staff and claimants alike.

New benefits schemes such as the Family Income Supplement had eased the pressure on the system and in the future new pensions schemes, offering better pensions for the elderly, sick and widows, would ease the burden on the service.

The report draws attention to the heavy demands for additional staff to run the scheme every year. The number of staff operating the supplementary benefit scheme alone had risen from 12,000 in 1966 to more than 20,000 this year.

Social Assistance. A review of the supplementary benefits scheme in Great Britain, free from the DHSS.

The number of one parent families in Britain increased by 32 per cent from 670,000 in 1971 to 750,000 in 1976. Mr. Ennals said yesterday in reply to a Parliamentary question.

## Colt plans Japanese car sales growth

By Terry Dodsworth, Motor Industry Correspondent

A SURPRISING move to plan for the growth of Japanese vehicle sales in the UK—despite the present restrictions on shipments—was made yesterday by Colt Cars, distributor of the Mitsubishi range.

Colt has 240 dealers, compared with a figure of about 170 last year, and the plan is to increase the network to about 350 outlets. The company said yesterday that it had written to 8,000 dealers throughout Britain hoping to persuade some of them to take on the Colt franchise.

The decision comes shortly after Toyota, the second largest Japanese distributor in Britain, has been rationalising its chain with a view to developing an organisation with a more up-market image.

Colt says that it is moving into the more expensive end of the market with the launch of the Sigma and Sapporo ranges, which should be attractive products for dealers to handle. Indeed, the Japanese companies as a whole have been trying to move in this direction in order to minimise the reduction in revenue which will follow the freeze on vehicle shipments to last year's levels.

Nevertheless, the Colt statement does not explain how such an enlargement of the dealer network will be supported in the period of relatively stagnant sales which faces Japanese importers.

There is little doubt that the British interest will press for further restraints on the Japanese vehicle producers next year.

On the other hand, Colt's move may have been prompted by strong competition among vehicle companies to improve the quality of dealer networks.

Mr. Joe Barnett, managing director of Colt, said last night: "During May, Mitsubishi produced 32 per cent more vehicles than during May, 1977. We intend to follow this trend with sales, given Government go-ahead. We are planning for just such an event."

## Truck and van imports take fifth of market

By Terry Dodsworth, Motor Industry Correspondent

COMMERCIAL vehicle imports rose to well over a fifth of the UK market in the first half of 1978, increasing their penetration by 5 per cent over the same period last year.

The improvement in the importers' share came as the market expanded rapidly to produce an overall 14.3 per cent increase in registrations, to 130,358 units.

Importers did better out of that growth than UK producers, increasing sales by almost 11,000 vehicles compared with slightly more than 5,000 by British manufacturers.

Figures from the Society of Motor Manufacturers and Traders show sales still rising steeply. Last month they went up by 21 per cent compared with the same period last year.

That growth is affecting the car industry, although there is a bias towards medium vans, including vehicles such as the Leyland Sherpa and Ford Transit.

Sales of such vehicles rose by 18 per cent over the first six months, with imports van and pickups from Toyota, Mazda, Datsun and Volkswagen making a particularly strong impact.

Figures from the middle-range market was dominated by Ford, which accounted for 41.2 per cent of sales with 3,555 registrations. Leyland sold 1,483 (15.8 per cent) and Bedford 1,230 (14.1 per cent).

In big trucks, Ford was market leader in June, with 1,501 sales, followed by Leyland Vehicles, with 1,167, and Bedford with 1,073.

## Hunterston nuclear accident cost doubles to £36m

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE ACCIDENT at the Hunterston B nuclear power station in Scotland last year is likely to cost £36m, it was disclosed yesterday—more than twice the original estimate.

Figures given to MPs by Mr. Gregor McKenzie, Scottish Office Minister, showed that damage to the station caused when seawater leaked into the cooling system will cost £3m to repair. But another £23m will have to be spent generating electricity in conventional power stations during the 18 months that Hunterston is out of commission.

The South of Scotland Electricity Board, which runs the station, will pay £15m and the North of Scotland Hydro Board, which buys power from the SSEB, will pay the remaining £8m.

Previous estimates of the cost of the accident which an inquiry has established was caused by human error, have ignored the cost to the North Board, which has a heavy commitment to supply electricity for British Aluminium's smelter at Invergordon.

Delays in bringing Hunterston on stream have already involved the board in large-scale expenditure on the cost of these delays. The North Board will also pay a share of the repair costs of the nuclear station. The SSEB said last night that allowance had already been made in the accounts for the cost of the accident and there would be no increase in tariffs this year.

## Whitehall talks over power plant problems

BY MAX WILKINSON

A TOP-LEVEL meeting involving representatives from five Government departments was held yesterday to discuss the failure of power plant boiler-makers to agree plans to rationalise.

The meeting followed the announcement by Northern Engineering Industries that it was withdrawing from talks with Borek and Wilcox about a merger of their boiler-making interests. The main stumbling block was that orders for power stations so far announced are not enough to fill both the main factories.

Yesterday's meeting is believed to have discussed the possibility of an early ordering programme to provide more work for the boiler-makers. However, the meeting broke up after half an hour and it is understood that no firm decision was reached.

Different departments are likely to draw up further studies of the options available.

## Unclear

The meeting was chaired by Mr. Joe Barnett, managing director of Colt, said last night: "During May, Mitsubishi produced 32 per cent more vehicles than during May, 1977. We intend to follow this trend with sales, given Government go-ahead. We are planning for just such an event."

A merger between the two boiler-making factories was urged 18 months ago in a report to the Cabinet from the Think Tank (Central Policy Review Staff), which said an early ordering programme for power stations of 2,000 MW a year would be needed to provide enough work for a merged company.

However, claims so far announced represent only about 1,200 MW a year, partly because the Central Electricity Generating Board does not foresee a rapid build up in the present slow demand for electricity.

Ordering plans have also been complicated by the lack of a clear energy policy and uncertainty about the future balance between nuclear and fossil fuelled power stations. Confusion was highlighted by the CEBG's proposal to build a 1,300 MW oil-fired power station at Inverclyde Point near Plymouth.

The board says a new power station is urgently needed to supply the West Country, and the only available site is suited to an oil-burner than a coal-fired station. Mr. Benn has rejected the plan because he wants the next station to be coal-fired.

The CEBG is generally sympathetic to giving coal-fired stations priority in the current energy crisis, but is reluctant to go ahead with building a new station in an area where it is not needed.

There has been some speculation that Mr. Benn may put pressure on the CEBG to implement the Think Tank recommendation for a long-term ordering programme of 2,000 MW a year.

It has been suggested that this should start with a firm commitment to provide 10,000 MW of power in the five years starting 1979. However, apart from the energy crisis, the plan has created opposition to this plan.

## GLC homes transferable

TERMS for the biggest single change in local government responsibilities in London since 1965—the transfer of Greater London Council housing estates to the local authorities—are to be considered on Monday.

The terms will ensure that no financial burden falls on local councils, that tenants can still move home across borough boundaries, and that staff will be protected.

Mr. George Tremlett, leader of the GLC housing policy committee, said the decision was vital for nearly 1m tenants and their families.

The GLC, he said, was too remote. "We cannot keep an eye on every blocked sink and drain."

Transfers would give tenants access to local councillors.

## £5 secures a home

BY PAUL TAYLOR

COUNCIL tenants in Lambeth, London, will be able to take out a three-year option for £5 to buy their homes if proposals before the Greater London Council's Housing Policy Committee are approved on Monday.

Under the scheme, which is likely to be extended to other GLC tenants if successful, the tenant with a £5 option could decide to buy the home at market at any time during the three years.

Where the market value exceeds the cost of the home and where the tenant has been occupying the home for two or more years the tenant may be entitled to discounts of up to 30 per cent on the market value.

## £50,000 for £150 painting

ONE OF those romantic stories that are supposed to happen continuously in the fine art sale-rooms but hardly ever occur, was played out yesterday at Bonhams. A rather dark and obscure religious painting, brought in at one of Bonhams' discovery tours in the north-east, was catalogued as lot 119 and described as Religious Figure Subject, 17th century Italian School, in an auction of Old Master paintings. Its estimated price was £150-£200.

In the event the bidding did not stop until the £50,000 mark was reached when it was acquired by the London dealer, Hallett, Gooden and Fox.

They had recognised it as one part of a seven-part altarpiece by Adam Elsheimer, a 16th century German artist.

Elsheimer died when he was 32 and only 30 works are definitely attributable to him.

Five other parts of the altarpiece were discovered in the UK and are in Frankfurt museum. The seventh part has to be discovered.

Any blunders among the valuers at Bonhams must seem bearable given the commission on such a sale and the fact that it becomes the most expensive picture, indeed, ever sold at Bonhams. It will also be a surprise for the, as yet, unsuspecting vendor.

It was quite an extraordinary day for the auction house with another picture, A Winter Canal Scene by Niklaus Molenaar, more than doubling its estimate at £25,000 and a European dealer, paying £22,000 for The Ambush, attributed to Sebastian Vrancx and J. Brueghel. A Zurich dealer gave £12,000 for

## Jeremy Isaacs leaves Thames

By Arthur Sandles

ONE OF British television's best known executives, Jeremy Isaacs, is leaving ITV's London weekday contractor, Thames Television, where he has been director of programmes for more than four years.

His associates made it clear that it is a friendly departure. However, Mr. Isaacs will be high on the shopping list of those setting up consortia to bid for the new ITV franchises which will run from 1981.

It is also clear that a Jeremy Isaacs free of full time employment in his mid forties is a front runner for senior appointments in any fourth television channel which might be set up, particularly if that channel were awarded to ITV.

## Tote £1.3m profits best since 1960

By Michael Thompson-Noel

THE Horserace Totalisator Board, whose plea for a greater stake in off-track betting was rejected in this week's report by the Royal Commission on Gambling, yesterday reported its best profits since betting shops were legalised in 1960.

Before tax and betting levy, the Tote's profits for the year to March 31 were £1,348,004, compared with £444,974. The amount of levy paid, the Tote says, has risen from £237,813 to £336,184. Turnover rose 116.9m, from £48.8m to £58.7m.

Mr. Woodrow Wyatt, the Tote's chairman, commented: "The profits for 1977-78 are the best the Tote has achieved since betting shops were legalised in 1960. The amount of levy for the benefit of racing we expect to pay during the current financial year is in the area of £800,000."

## Brentnall 'unaware of inquiry'

By John Moore

BRENTNALL BEARD, the publicly quoted head of Lloyd's insurance group, said last night that it was unaware of "any inquiry by the Committee of Lloyd's into the conduct of Brentnall Beard."

The statement followed a report in yesterday's Financial Times that Lloyd's of London is to mount an inquiry into the conduct of the group and events which led up to a dispute between a Lloyd's syndicate headed by Mr. Frederick Sasse and the Brazilian reinsurance group, Instituto de Resseguros do Brasil.

Mr. Derek Gravestock, a Brentnall director, said last night that Lloyd's would want to hold an inquiry. But they can do that at any time to say broker.

"I certainly had no impression that anything was imminent after speaking with Lloyd's today. If they wish to hold an inquiry I would welcome it."

The group said yesterday that it had asked the Committee of Lloyd's to inform of all matters "within their knowledge" on the Sasse-IRB affair since late 1976.

"As and when the committee inquires into this matter, we will be welcomed by Brentnall Beard."

## SALEROOM

BY ANTHONY THORNCROFT

A still life by Simon Verelst. The sale totalled £22,467.

Sotheby's sold medieval, baroque and later works of art for £202,575, with 18 per cent bought in the evening. The sale was sold by Neuhaus, a Franco-German limewood relief of the Virgin and Child, made about 1820 in the workshop of Riemenschneider.

A Rhineland alabaster group of the Virgin and Child, about 1430, was sold for £14,000. A Malines polychrome group of the Virgin and Child of about 1520. The sale totalled £22,467.

At Sotheby's, a limewood figure of a young female saint, north Netherlands or north German and late 15th century, was sold for £7,500.

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# The Property Market

BY JOHN BRENNAN

## Funds as angels?

IN A WEEK when the three largest labour unions have called for a standard 35-hour working week, it is worth considering institutions' unwillingness to view leisure property as a sensible investment.

The case for a sharply increased amount of leisure time has been hammered home by a number of recent employment forecasts. Projections from the Institute of Manpower Studies, updated and reviewed in detail in a special employment planning edition of the Royal Town Planning Institute's magazine *The Planner* this week, suggest radical changes in the pattern, and the amount of work in Britain by the end of the century. Assuming an annual growth rate in the economy of between 2.5 and 3 per cent, over the next 25 years the Institute anticipates gross unemployment at the turn of the century to be between 3 and 5m.

Mass unemployment is hardly going to put leisure investments on institutional shopping lists. But this substantial element of structural unemployment goes hand-in-hand with forecasts of dramatic changes in the patterns of work for the employed population.

The planners' support the arguments in favour of a greater amount of "capital deepening" investment: that is, investment in new technology rather than in new staff, and they anticipate

continued decline in industrial work—to around a third of the total workforce by the early 1980s.

On the face of it that means more office buildings, and so confirms funds' existing investment policies. But the explosive rate of development of computer technology puts a question mark over even that basic assumption. One microprocessor, the silicon "chips" that have made it possible to cram increased functions into smaller computers, can contain as many as 20,000 components and cost less than 25p. Development of these cheap "chips" marks the second stage of the computer revolution.

The initial stage of computer development is well advanced, and most people have come to accept their functions as stores of information. But now the industry is moving rapidly on to the next stage where computers are used to control, monitor and regulate automated plant. That move must initially cut down the number of blue-collar workers. But it also signs the death warrant of purely clerical staff.

Fund managers are fond of pointing out the examples of firms who have installed a computer, saved on the costs of a couple of typists and a store-keeper, and found themselves with 20 technicians, software men, and high-cost computer storage space to pay for instead.

in cinema and other leisure investments, running each time into a blank wall of indifference. Funds are, he believes, "totally unaware of the extreme importance of leisure property in the future of our society."

Fund managers tackled on Mr. Marsh's arguments seem to view leisure investments as little more than an extension of the system of theatrical financing, and they do not relish the thought of attempting to convince investment Boards that there are benefits in acting as "angels" waiting with baited breath for a show to succeed or preparing excuses when it fails.

Leisure is all very well, they argue, but in the past the funds that have become involved in leisure investments have come embarrassingly and expensively unstuck. The managers argue that the risks on leisure schemes are too high to fall within the parameters of institutional quality investments. And fears of changing fashions, problems of subsidised local authority competition in the provision of sports facilities, and simple ingrained investment tradition all stand against leisure financing.

In the past, one key reason for non-investment lay in the low level of investment in leisure as a whole. A circular argument developed where fund managers could say that leisure investment was too small to justify the time needed to investigate it in detail, and so the level of investment remained too small to justify the time, and so on.

If the projections of free time are even partially correct that argument seems hard to justify any longer.

Fashion, albeit technological rather than purely personal fashion, can make a nonsense of long-term projections of letting demand for industrial property offices and, to a lesser extent, shops, in exactly the same way there will be few problems to let a minimum expected rent of £750,000 a year



Samuel Properties and Bryant Holdings may not be having everything their own way at St. Albans—where local opposition has re-

opened the door to alternative town centre development schemes but the companies' joint development operation, Bryant-Samuel,

projection of employment levels includes a dramatic increase in the amount of free time, funds may well be forced to take a serious look at leisure fashions. And adding T and C's highly competitive £2.8m tender (just how much is such a prime City site worth as an advertising board to a contractor in its 200th anniversary year?) to professional fees and so forth, Royal's total rebuilding bill will come to around £4m.

### IN BRIEF

ROYAL INSURANCE has already rejected one tentative offer to buy its 42,000 sq. ft. freehold refurbishment at the junction of Cornhill and Lombard Street. The building, Number One Cornhill, stands directly opposite the Bank of England, and despite the offer Royal plans to hold it as an investment.

At the "Topping Out" ceremony on Monday letting agents St. Quintin, Son and Stanley seemed confident that, in view of unsolicited interest to date, there will be few problems to let a minimum expected rent of £750,000 a year

should be happy enough with its Waterloo Court restoration in Birmingham.

All but 5,500 sq. ft. of the 48,000 sq. ft. offices in Waterloo Court have now been taken. And tenants ranging from Algemeine Bank Nederland, the Hong Kong and Shanghai Banking Corporation and Banque Nationale de Paris, to the American International Underwriters group, are paying rents averaging £4.50 a sq. ft., significantly above the norm for modern space in central Birmingham.

Letting agents Phoenix Beard, Elliott Jones Martin and Edwards, Bigwood and Bewlay, expect around £4.75 a sq. ft. for the remaining suite, pushing Waterloo Court's total gross rent roll to over £220,000 a year.

Troilope and Colls, the main contractors, expect to complete the whole internal rebuilding work in just 28 months, from February 1977, to June next year.

And adding T and C's highly competitive £2.8m tender (just how much is such a prime City site worth as an advertising board to a contractor in its 200th anniversary year?) to professional fees and so forth, Royal's total rebuilding bill will come to around £4m.

It took St. Quintin a year and 22 landlords and tenant actions to clear the block. But it is unlikely to take as long to fill it. Talk of rents is, however, complicated by the fact that 8,000 sq. ft. of the offices will be underground and a further 6,500 sq. ft. will be in the form of a banking ball.

A CHANGE of faces at the Royal Institution of Chartered Surveyors this week brings quantity surveyors Peter Grafton, senior partner of G. D. Walford and loss, cut the level of any reasonable bid from published net

Partners, in as the new president. Christopher Willis, a partner of assets of 91p, fully diluted to the mid-40s. And it looks as though the market has it about RICS Quantity Surveyors and right.

Any doubts about the eventful emergence of a bid are, however, premature. It is now 6 weeks since the first announcement of a continental approach. But Samuel Montagu, EPC's advisers, confirm that talks are still in progress. Problems in sorting through EPC's mass of properties, debts, and cross-currency holdings, not least negotiations to prevent a bid triggering action forcing divestment of EPC's Trizec stake under the Canadian Foreign Investment Review Act, could take days yet.

Property Deals appears on Page 10, and the quarterly RICS/FT Poll of Property market indicators appears on Page 33.

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## PROPERTY DEALS

### Industrials for Harringay

TREYOR ASHBY'S private London Southern and Western Properties, in partnership with William Moss and Sons the builder, has taken over the Harringay Arena development recently dropped by Tesco.

Tesco abandoned plans for a superstore on the 51-acre Harringay site in March, and LS and W has stepped in with a £21m industrial estate development, with planning permission for a total of 92,500 sq ft of warehouse and factory space.

LS and W and Moss bought the Arena land and buildings from URA, the greynold stadium group, for £360,000. The developers have already pre-let a 20,000 sq ft warehouse to Wicks Building Supplies, work on which will be completed by the end of January, 1979.

Demolition of the Arena buildings will be completed by mid-November this year. The whole estate, offered jointly through Boyd Ridgely and Partners, and Willmoss and Company, should be finished in 18 months.

Another industrial deal, taking LS and W's total industrial development programme well over 1m sq ft, is in that current focus of institutional irritation, High Wycombe.

The market overflows with underbidders on the tender for the former Spillers' bakery site at High Wycombe, bought eventually, it is believed, by an owner-occupier worried about local user restrictions.

If speculation about the Spillers' sale price is correct, LS and W has a bargain, having bought a 2.5-acre site for 43,000 sq ft of industrial space on the main London Road at High Wycombe, and expecting a total development cost, plus site, of around £1m.

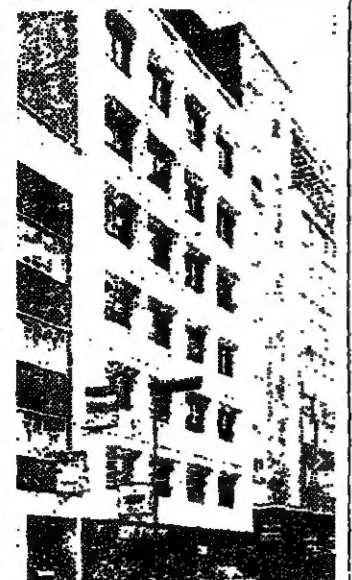
The group is building 18 "nursery" units, ranging in size from 2,000 to 3,000 sq ft, as well as the space through Boyd Ridgely and local agent Crickshanks.

THE NATIONAL Union of Railwaysmen has submitted a planning application to Camden Council to redevelop its Unit House headquarters on Euston Road, NW1. The railwaysmen, advised by Savills, have an Office Development Permit to put up 60,300 sq ft of new space and, as the union is only looking for temporary industrial space, the 20,000 and 30,000 sq ft for the 21-year building period, it is probable that around half of the new block will eventually be sub-let.

ONE long empty remnant of the 1974 collapse has finally found a buyer. Shirlair Container Transport, advised by Tuckermans, has paid rather less than 200,000 for the 2,640 sq ft office refurbishment at 77, Great Peter Street, Victoria, SW1. The company, refurbishing the property, and its bankers, G. T. Whyte, the banking arm of the failed Triumph Investment Trust

which is itself now under the wing of receivers from accountants Price Waterhouse, has disposed of the block through Jones Lang Wootton.

Firms now haggling over rent reviews in Holborn will not be able to draw too many conclusions from Knight Frank and Bailey's letting of the former Amalgamated Investment and Property development at 289-293 High Holborn, W1C (below).



The agents, acting for AIP's receiver Mark Boman of accountants Price Waterhouse, have signed up Celcon Limited to take the whole 17,000 square feet of air-conditioned space at around £7 a square foot. But as the negotiations were completed before Christmas, the rent now looks on the low side.

The first five-year review on Celcon's 25-year lease falls due in December 1982, and to make the building more saleable, Gagliardi Designs, the furniture group that has just taken the retail space, has had its 20-year lease backdated to the same starting date.

Fairbrother Ellis advised Celcon, and De Groot and Collis acted jointly in the deal with KFR.

KFR have also been on the buying trail for Hanover Property Unit Trust, buying three freehold investments for a total of £2.75m.

Four industrial units totalling 110,000 square feet at the Forest Trading Estate, Walthamstow, cost Hanover £1.5m, to show an initial net yield of 9.4 per cent. In the second deal an 11,700-square-foot office at Muswell Hill let to Rovers cost Hanover £500,000 and shows a 6.5 per cent return. Drivers Jonas acted for the vendors.

In the third deal, Clive Lewis introduced four newly-developed industrial-warehouse units on the Chesterfield By-Pass Industrial Estate. The fund paid £775,000 for the 56,000 square feet of units to show a return of 7.7 per cent. Eadon Lockwood acted for the vendor.

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## ENERGY REVIEW: NUCLEAR PROLIFERATION

BY DAVID FISHLOCK

# U.S. thinks again

DR. JOSEPH S. NYE is a young and highly articulate Harvard professor, with a winning smile and a penchant for Britain, who two years ago was lecturing on such complex interactions between science and society as arms control and the prevention of nuclear proliferation. He drafted the chapter on nuclear proliferation in the controversial Ford-Mitre report in 1976, from which President Carter took so many ideas and statistics for his subsequent national energy policy. Indeed, Joe Nye might fairly be said to be the main architect of the President's tough new policy for preventing proliferation.

Recruited into the new Administration, on two years' leave of absence from Harvard, Dr. Nye in a senior role at the State Department soon became the most visible protagonist of a policy towards America's allies which has been aptly summed up as "we don't trust you but you must trust us." The U.S. Government simply stated that longstanding contracts for the supply of certain nuclear services such as the enrichment of uranium were no longer valid and would have to be renegotiated.

He stressed that the U.S. Government is not anti-nuclear. It also tried hard to impose certain features of a new domestic nuclear policy upon other nations. Mainly these concerned plutonium, the fissile material formed by transmutation in a nuclear reactor. The U.S., in Dr. Nye's words, chose to defer the commercialisation of plutonium as a new nuclear fuel, because it also has nuclear weapon potential. Both the President himself—first at the London Summit of May 1977—and Dr. Nye tried hard to persuade other nuclear nations to follow their policy. They even tried open threats—for example, that they would undermine plans for international reprocessing of spent nuclear fuel by withholding permission for the fuel to leave the country to which they had originally sold it.

Neither caldery nor threats succeeded in persuading nations which, in the words of Dr. David Owen, Britain's Foreign Secretary, saw that "an effective non-proliferation policy must go hand-in-hand with a viable energy strategy." For nations lacking indigenous uranium—with Britain, West Germany and Japan among them—dependence for supplies on a nation which had embargoed exports and unilaterally had demanded the renegotiation of nuclear contracts was not a viable energy strategy. Britain and France went ahead, notwithstanding the threats, with plans for large international reprocessing centres. Japan went ahead to develop and try out plutonium fuel as an alternative to enriched uranium in existing reactors. France, Germany and Italy pressed on with the world's first big fast breeder reactor, specifically designed to burn plutonium fuel. Britain announced that it would hold a public inquiry, possibly next year, into plans for its own big fast breeder reactor.

Dr. Nye came to London this week with a new brief. Although the U.S. had persuaded another 39 nations to join it in a two-year reappraisal of nuclear power technology and institutions in the search for procedures more resistant to proliferation, the U.S. Government had failed signally to carry its allies in any deferment of present technologies, development. It was opposed Dr. Nye, who must return to Harvard at the end of the year, to the Clinton River demon-mood. He came to explore with politically, said Dr. Nye, the nuclear industry and Clinton River is the 680 MW Government officials the possi-

fast breeder project in Tennessee the Government has been trying to kill off ever since it came into office. It is now accepted that some countries saw a more pressing need to perfect the commercial fast breeder, in spite of large uncertainties in capital and fuel costs. But as Dr. Nye puts it, "we should strive for a situation in which nations can place different long-term energy bets without jeopardising each other's security interests. We ask those who bet on breeders to include security costs which they impose on others, particularly safe fuel cycles, in their economic calculations." It also urged nations which bet on the breeder to observe four factors when placing their bet:

● Avoid the temptation to try rough reception at the hands of delegates to the Uranium Institute's meeting on Wednesday. Nor do we have to search hard for the reasons. For one, they had already been lectured by a British academic, Professor David Pearce from the University of Aberdeen, who is making a Government-funded study of lessons from the Windscale inquiry. Professor Pearce, who scarcely disguised his sympathies with those opposed to nuclear energy, made it plain that he thought the Windscale inquiry had been handled badly, and proposed for the forthcoming fast reactor inquiry a formula which, at first sight, will ensure that a clear-cut decision always remains beyond reach.

Another reason for their hostility was sheer frustration with the equivocation of governments in nuclear matters. For all Dr. Nye's assurances about the impending renaissance of U.S. nuclear activity, they were offered nothing in the way of supporting evidence. For example, he was frankly "unhopeful" of any end to the infuriating case-by-case policy of the U.S. nuclear regulatory authorities, which make long-term planning by a large industry so difficult. And a third reason was Dr. Nye's own tendency to become testy when his assumptions and assertions are questioned, which helps convince the experts that he is basically unsure of his ground. Nevertheless it remains a fact that the U.S. Administration is extending an olive branch to other nuclear nations. It desperately needs their cooperation, for a cause in the objectives of which all are basically agreed. INFCE is unlikely to feature at the Bonn Summit this weekend. But there is a widespread assumption that by next summer's Summit President Carter will wish, for political reasons, to make a major announcement about the study's findings. It is also widely assumed that he will need a lot of diplomatic help from the other six nations to detach himself gracefully from an unfortunate hook, the consequence of which is that the U.S. today is virtually isolated from the anti-proliferation policies of all its allies.

Is the time ripe to begin the process of "accommodating" the Carter policy? There is one good reason, perhaps, for not delaying. Joe Nye believes in the basic necessity for nuclear power. What is more, he asserts very firmly that in spite of appearances the pro-nuclear factions in Washington are already in the ascendancy—witness, he says, pro-nuclear statements from the President himself. But he himself returns to Harvard this year. If he returns with nothing accomplished, from what is plainly a very "loose" government machine, it may easily leave a vacuum into which rush forces openly hostile to nuclear interests.

\* Nuclear power: issues and choices. Ballinger Publishing Co. 1977

New issue July, 1978

This advertisement appears as a matter of record only.



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# Saturday night on Sunday morning

Video cassette recorders set you free from TV timetables. That's why video taping is fast becoming a billion dollar business in the United States.

Over here, the idea's still quite new. So many people don't realise that all video tape recorders are not created equal.

Sometimes, the taped picture quality leaves a lot to be desired. Or the tape runs out ten minutes before the end of the programme.

In fact, it takes a very special recording system to give perfect picture quality plus adequate recording time. The Matsushita group's VHS is such a system.

That's why VHS has been taken up by most of the big TV manufacturers in the United States and Europe.

Our record in TV is impressive. We brought out a set with a screen the size of a postage stamp in 1969. And the world's smallest colour portable in 1972. Our famous "Magic Line" tuning came

in 1952. Total worldwide production to date: over 50 million sets.

Technics, one of the most innovative hi-fi makers in the world, is a sister company.

Their direct-drive quartz-locked turntables and tape decks are noted for superb sound and utter reliability.

Without all this experience in the TV and audio fields, VHS video tape recording would probably still be on the drawing board.

Instead, it's here on the market. The Panasonic NV-8600 is built to last. It has a die-cast aluminium chassis instead of a flimsy stamping. And the video cylinder motor is, of course, quartz-locked and direct-drive.

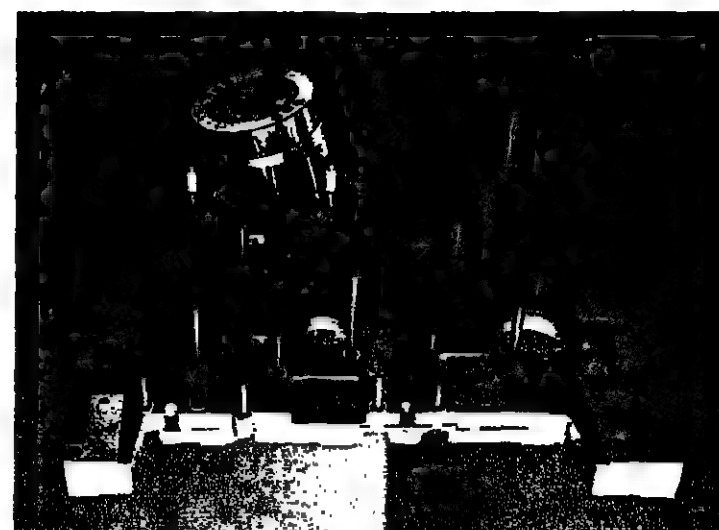
Naturally, the 8600 has a built-in digital auto-timer. You can preset it to automatically record a programme on one channel while you're watching another. Or even to record while you're not at home.

A whole film easily goes on one 3-hour VHS cassette. Including the last ten minutes when Dracula is tracked down to the lonely churchyard.

After a bit, you'll probably want to add the portable video camera. Then family events like Christmases and birthdays will become a treasured part of your growing video cassette library.

Panasonic is part of Japan's biggest consumer electronics group—Matsushita Electric.

We got where we are today by bringing people what they want. Like the freedom to spend Saturday night on the town and Sunday morning watching Match of the Day.



The 8600's die-cast aluminium chassis and quartz-locked, direct-drive video cylinder motor.



The NV-8600 can be used with any good colour set. But our superb TC-2201 with "Magic Line" tuning forms the ideal combination. For further details please contact: National Panasonic (U.K.) Ltd., 107/109 Whitby Road, Slough, Berks. Tel: Slough 27516.

**National Panasonic**

National, Panasonic and Technics are the brandnames of Matsushita Electric.



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## INSTRUMENTS

### Deep sea metal gauge simple to operate

DIVERS WORKING deep below the sea need equipment which is easy to handle and to read. A new concept in ultrasonic underwater thickness gauging certainly meets those criteria since it is about the size of a big car inspection torch and gives an immediate, plainly visible digital readout of thickness.

"Seaprobe" is the name given by the developers to the device which is for inspection of metal in offshore installations, ships, piers, piling, etc.

It is entirely self-contained and operation could hardly be made simpler since it consists in pressing the head of the instrument against the surface to be measured. Moreover, the developers say it costs about half the price of other types of underwater sonic units.

Depth to which the unit can be taken is at least 550 feet and it can be used on corroded or rough surfaces. The case itself is pressure-sealed so that the instrument does not have to be put into a special container designed to withstand high

pressures. This is one of the factors contributing to the portability and compactness of the gauge.

All controls have been eliminated by pre-calibrating the unit for a given group of metals—generally steels. The integral probe head is flexibly mounted in the end of the instrument case, acting as on-off switch.

Characters in the digital display are 15 mm high and can easily be read over a wide angle of vision. The display only lights up when a reading is being taken to help conserve battery power.

Rechargeable batteries in the body of the device would normally be topped up overnight by electrical induction using a charging unit actually built into the equipment carrying case.

This means elimination of the need to have electrical connections through what has to be a watertight case, with a consequent improvement in reliability.

Further details on the Seaprobe from Baugh and Weedon, Widemarsh Street, Hereford HR4 9EZ. Tel: (0432) 67671.

## OPTICS

### Soft lenses progress

NRDC is investing \$400,000 in a joint venture with R. Kelvin Watson to develop and test a new continuous-wear soft contact lens. The NRDC contribution will represent 50 per cent of the total development costs.

Soft lenses are more comfortable to wear than the traditional hard ones and have been on the market for several years. However, these are daily wear lenses and, so far, continuous-wear lenses have had only limited application.

High oxygen permeability is an essential factor in selecting a material suitable for lenses and the polymer which is to be used in this new development programme is one which results from research originally funded by NRDC at Aston University under the direction of Dr. B. Tighe who is now working in conjunction with Dr. H. Gee, of R. Kelvin Watson.

The new material is clear and colourless, absorbs water in a predictable way and has a very high water content in its hydrated state. This means that oxygen can pass easily through the lens. In addition, lenses made of this material are much stronger and more resistant to

tear than currently available high-water content soft lenses from other manufacturers.

Lenses based on the new polymer are under test.

Kevin Watson, Kelvin House, Denton, Manchester, M61 3BB 6232.

In the meantime, from the U.S. comes an indication that suffers from astigmatism might be able to benefit from the soft lens developments, provided their condition is not too acute.

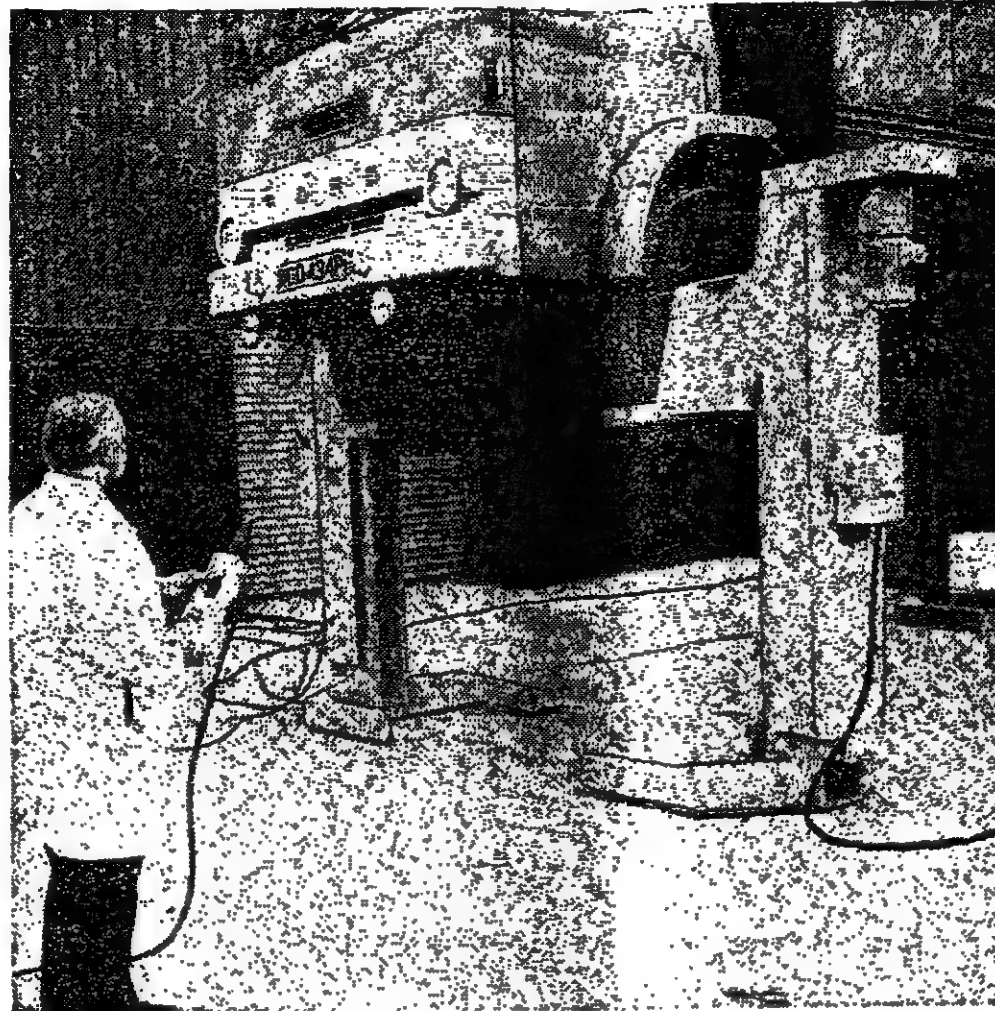
Continuous Curve Contact Lens Inc. has reported that its Soft Lens Inc. subsidiary has received Federal Drug Administration approval to market a new soft contact lens which will correct small amounts of astigmatism. This defect is due largely to deviation of the cornea from a spherical shape so that, in simple terms, the image of a point tends to be elongated and pictures built up from many points are blurred.

Current types of soft lenses conform to the shape of the cornea and consequently can do little to alter astigmatism.

How the U.S. company has achieved this advance is not known, nor is the precise date it expects to begin marketing.

## HANDLING

### Easier to service vehicles



This lorry has been raised to servicing height by four Tecalemit electric hoists operated in synchronism from a single control.

ELIMINATING THE restraints imposed by inspection pits and fixed lift installations in busy commercial vehicle and PSV workshops is a new electrically driven mobile column lift from Tecalemit Garage Equipment Company.

The columns are fitted with lifting forks to lift vehicles from under their wheels. The operating part of the column is outside

the base area of the vehicle, giving extremely good access. All four (or six) of the columns can be raised in synchronism from a single control. An important advantage is that four of the columns can be used to raise one vehicle which can be lowered on to fixed tripod stands while the lifts are used to raise another. The columns can always be left free to undertake other vehicle lifting work.

A trailer dolly fitted with a steering knuckle is supplied with the columns, allowing them to be wheeled into position. With the dolly removed the unit sits on three contact points to give perfect stability during lifting.

Each column is driven by a 1.5 kW (2hp) motor coupled to a drive screw through gears. The company is at Roborough, Plymouth, Devon (0782 701212).

## RESEARCH

### Sticking big aircraft together

AT LONG BEACH, California, McDonnell Douglas has begun a research project to find out whether adhesive bonding could be used instead of rivets for the assembly of large aircraft.

A 32ft long section of a wide-cabin fuselage is being tested to see if it can withstand prolonged

exposure to the stresses and strains of military operations.

By using an epoxy resin instead of rivets for joining aluminium parts the company found it required 78,300 fewer rivets for the fuselage section. Nineteen separate panels about 30ft long and 9ft wide have been bonded under heat and pressure to form the 18ft diameter fuselage segment.

The test programme will include simulation of cabin pressurisation and wing landing gear, cargo and other weight loads to which an aircraft is subjected during movement on the ground, on take-off, flight, approach and landing.

During each cycle, from taxi to landing, air will be pumped into the section, pressurising it to a maximum of 7lb per sq in, and then withdrawn, simulating depressurisation during descent. Hydraulic jacks will also exert compression and tension loadings corresponding to the landing gear, wing, cargo and dead weight loads.

Each cycle, lasting only 26 seconds, is reckoned to be the equivalent of 1.87 hours of military transport service. Testing will subject the adhesively bonded structure to the equivalent of four lifetimes of aircraft operation. Reactions to physical damage will also be studied.

## PHOTOGRAPHY

### Films paper at speed

MADE BY Terminal Data Corporation in the U.S. and marketed in the UK by Image Systems, a high speed automatic camera called Documenta can handle document sizes up to A3 and will produce images on any microformat from 16 mm to 105 mm, changes being made simply by snapping on a fresh film magazine.

Documents are fed in on a moving belt at 2.5 metres/sec, briefly stopped for filming under automatic exposure control and are then either ejected or turned over by a roller arrangement and filmed again before ejection.

In addition, to maintain the correct sequence documents may be filmed once only and be turned over before ejection into the output stack.

For committing documents to film, the multi-image format of margin, column and row spacing and number of columns set by switches and by sliding in a disc which directs the images to the right places on the film area.

Microfiche titles of up to 76 alpha-numeric characters on pre-punched paper tape are electronically read and converted into LED characters which produce images on the top of the film. But titling can also be filmed from negative strips separately so as to include graphics.

Indexing of filmed documents is generated by the camera superimposing a code on the frame during filming or by printing it on the document as it enters.

The camera is well instrumented for improperly loaded or broken film, empty magazine and misaligned documents, the full state of the operations being shown on a display. Prices start at £68,000.

More from Image Systems at Church Way, Edgware, Middlesex (01-892 4455).

### Enlarging on demand

PRODUCTION of high quality photographic enlargements, automatically, in 60 seconds without the use of a darkroom, and at the low materials cost of less than 55p per enlargement is, possible with newly launched equipment. BeeSO Photographic Systems describes it as a completely self-contained, mobile enlarger/darkroom system, only 49 x 31 x 51 inches in size and weighing 340 lb. Operating from a 13 amp power supply, and without any plumbing requirements, it automatically enlarges a 2 1/2 inch section of a 5 x 4 inch or 2 1/2 inch

square negative, using standard, readily available, photographic paper and chemicals.

The company is offering various types of equipment, based on the 480E, to meet a wide range of applications, varying from a "while you wait" photographic portrait service to photographic copying/enlarging facilities for commerce and industry.

The units systems are simple to operate and unskilled labour can be trained to a high level of proficiency within three hours. The company provides support with a full spares, materials and nationwide emergency breakdown service.

BeeSO Photographic is at POB1, Wivenhoe, Colchester, CO7 9EA 0206 22 5253

## COMPUTERS

### Wang drive starts in Britain

AIMED AT the large segment of the small to medium machine market in which there are now a growing number of obsolescent machines, but offering a technique—virtual memory—generally associated with far more powerful equipment, Wang's 2200VS series of three computers has been formally launched in Britain.

Marketing will initially be in the London area, later extending to the Midlands as support staff is trained.

One characteristic of the equipment will awaken an immediate response from data processing managers who have to cope with multi-use situations. This is the ability to add user terminals, memory, storage or printers, without the need to modify existing software, including applications routines.

The operating system, not the programmer, will fit the routine being run to the available memory and virtual operation means a reduction in programming requirements because restrictions imposed by the system disappear, and the discs are made to behave as if they were part of the main store.

Cohol, Basic, RPG II and Mids are the languages

supported on equipment that begins with one or two workstations and 64 Kbytes of memory and can be expanded up to 23 stations, serving a processor with 512 Kbytes and as many as eight 288 Megabyte discs.

This places the top machine well up in the IBM ranges, for instance, at about the level of a large 138. But Wang indicates that it expects to have an impact on the larger DEC machines, the Hewlett Packard 3000 and presumably ICL's large installed base of 2903 machines. It claims to be as effective as a medium-sized machine from traditional makers, but at one-quarter the hardware cost.

In Britain, the company has a market base of 1200 users and is supported by some 20 software houses. It is expected that five of these will add the 2200VS machines to their repertoire, and that other houses particularly interested in business languages, will join the support group.

Wang is a company that has grown at 29 per cent compounded over the past five years. Its sales in the 1977 fiscal year amounted to \$134m and orders booked to date indicate a new record of \$224m for the fiscal year just ended. The target is \$180m by 1982 and since the new introductions extend the sector addressed by the company's product line from only 25 per cent to as much as 80 per cent of the total market, this does not seem as impossible a target as it might appear.

Wang (UK), Data Processing Division, Arzyle House, 3-5, Street Northwood Hill, Middlesex, HA8 1NS, Northwood 28311.

## OFFICE EQUIPMENT

### Inefficient mail rooms are costly

ALTHOUGH VOLUME mailing has been commercial practice in Britain for 100 years, thousands of organisations still collate multi-page documents for the post by manual methods, when machines could carry out the process 15 times as fast.

Because of mailroom inefficiencies, many concerns have to call on highly paid secretarial staff to help with the chore.

This is only one of the reasons why the British Equipment Trade Association (BETA) is staging the second Mailing Efficiency Exhibition this autumn.

Millions of letters are posted every week over-stamped for reasons, BETA believes, up-to-date mailroom equipment is designed to eradicate. Not only do the machines make savings on postage possible, they also effect their operations in less office space, faster and more effectively. As an example, one of the exhibiting firms (Pitney Bowes) markets a machine which can collate a 30-sheet set at every cycle. It requires less floor space than an ordinary office desk, whereas to assemble a 30-sheet project by hand demands not only enough table space for 30 piles of paper but adequate walk-around area too.

Document, another new machine to be shown, has been designed to sort mail according to a whole variety of criteria.

Equipped with a multiplexer unit it can sort out firm's incoming mail by envelope length, by the sending of specific marks on the envelopes, or even by magnetic sensing of contents, and its mixed mail sorting speed, says Mailing and Mechanisation of Beckenham (Kent), is around 500 items a minute.

From Switzerland comes a new postal franking machine which eliminates the old practice of having to take a heavy meter to the post office when fresh credit is required. Instead, according to Hasler GB, users just ask for an easy-to-insert value card purchasable over the Post Office counter for £20, £100 or even £1,000 a time.

Mailing Efficiency Exhibition '78 will run from September 26 to 28 at the Bloomsbury Centre Hotel in London.

Further details from BETA on 405 6777.

## SAFETY

### Non-electric control of levels

DEvised by Pneumethods of Cumbria and already being supplied to the Middle East for the loading and storage of nitric acid is a pneumatic level sensing and control system which is free from electrical devices.

As the level of the product rises in the tank it eventually covers the open end of a probe which is being continuously purged with low pressure air. The resultant back pressure provides a pneumatic signal which can be used to close the main product valve and stop the flow, establishing the level in the tank. Adjustment of the activation point is provided.

All component parts in direct contact with the product are in stainless steel and since the system is air operated it is entirely suitable for hazardous areas.

More from P.O. Box 3, Workington, Cumbria CA14 2BD (0900 5303).

## HEATING

### Fuel oil use reduced

REDUCTIONS in heat loss and fuel consumption are announced by Weisaupt (UK), Willenhall, following the introduction of a new servomotor-driven butterfly valve into the air intake of the company's two-stage gas, oil and dual fuel "Monarch" burners. The effect is to regulate air flow during single and two-stage operation, and to cut off the flow completely during shutdown.

Overall combustion efficiency of heating systems and processes is substantially improved, since unwanted cold air cannot be sucked into the boiler. Savings in fuel costs can be considerable although these are difficult to quantify because many factors must be taken into account, such as the size and type of installation, the height of the chimney, and the operating/shutdown ratio.

Weisaupt (UK), Neachalls Lane, Willenhall, West Midlands, WV13 3RC. 0902 68941.

## COMPONENTS

### Pressure on the fibre market

CORNING Glass Works has added 16 high-performance optical waveguide fibres to its line, including two products with 1000-MHz bandwidth and six products with attenuations of four dB/km or less. The company has also reduced prices by an average of 25 per cent, making competition from European companies in the area that much more difficult.

High-quality, low-loss optical fibres now sell for as little as \$0.50 a metre, for Corning, N.Y. This is for a product whose characteristics include a maximum attenuation level of 10 dB/km and a minimum bandwidth of 200 MHz/km.

Twenty new types of optical waveguides have an attenuation levels from three to 10 dB/km, and bandwidths from 200 to 1000 MHz/km.

All Corguide optical waveguides have core diameters of 63 micrometres, outside cladded diameters of 125 micrometres, and outside cladded diameters of 138 micrometres. Tensile strength screen tests assure that all Corguide fibres have minimum strength of 25,000 psi, or 17.5 kg/mm squared.

Additional information from Corning, 1 Prince Street, Richmond, Surrey TW9 1DZ.

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and 19) for commercial visitors exclusively. Participants from 40 countries. A wide selection of products from the latest in technology to the finest in popular handicraft. A location that attracts the best business minds of three continents. And a very important place in the sun, sea and sand.

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# The Management Page

EDITED BY CHRISTOPHER LORENZ

## The broker who made a happy marriage

DESPERATION and uncertainty have not yet driven anybody to leap out of a Wall Street office window, but the wave of mergers which has been changing the face of the U.S. securities industry for the past two years, has left many thousands of people fearful for their jobs. Scarcely a month has gone by without an announcement of a union between names hitherto renowned for their competitive independence.

"I have nightmares about picking up a newspaper one morning and discovering I am out of a job," said one securities analyst recently whose employment has, in fact, survived one of last year's bigger mergers.

The consolidation and rationalisation which inevitably follows many mergers poses management with the task of eliminating areas of overlap and duplication of function. In some cases employees in a company absorbed by a merger have left out of uncertainty about their future in the post-merger organisation. Some are enticed away by other securities firms which are always on the lookout for good quality securities salesmen.

Following Merrill Lynch's recent acquisition of White Weld, for example, more than 100 White Weld employees have moved on, though not all to become unemployed. Merrill Lynch is currently complaining in the courts about Sylvan Eastman Dillon recruiting an entire office in Omaha of former White Weld representatives.

Clearly, consolidating a merger puts something of a premium on management skills for in most cases the objective is to obtain a speedy fusion of the two organisations with a minimum of disruption of day-to-day activities. In particular the objective is to ensure that prized employees are not seduced elsewhere because they are anxious or disillusioned.

As chairman of Mitchell Hutchins, Don Marron had given much thought to the pitfalls which lay ahead when he led his company into a merger with Paine Webber in May last year. When he took over control of Mitchell Hutchins in 1965, Marron had been something of an oddity on Wall Street because of his commitment to full-time management. Traditionally, Wall Street brokerage houses had been run by men whose first pre-occupation was on one aspect of the business, whether it was stock trading or corporate finance. Though not short of experience or expertise in any part of Mitchell Hutchins' activities, Marron had seen his job principally as a developer of the business whose responsibility it was to hire the right people and to ensure

that their commitment and enthusiasm were maintained as strongly as possible.

Mitchell Hutchins' development offered some testimony to the success of Marron's approach. By the time of the merger he had built the company into a small but highly respected brokerage house specialising in servicing the research and trading needs of institutional investors. Its capital had increased from \$1m to \$12m and its payroll more than 100 professional analysts, traders and salesmen.

The visitor to the company's offices on Battery Park Plaza was, and still is, struck by the sense of intimacy which pervaded the place, and also

**JOHN WYLES on a Wall Street brokerage merger where the smaller partner assumed a key role**

by the modern art paintings on the walls; the collection of connoisseur Marron.

Marron was able to carry virtually all of his colleagues with him when he concluded that the company's survival and prosperity would be secured by combining with a larger outfit. "We all knew the atmosphere at Mitchell Hutchins would change if, as was quite possible, we started to lose money and ran into market difficulties," said Larry Ross, the company's paper and forest products analyst.

Everyone in Mitchell Hutchins was also agreed that if possible the company's name should be preserved together with its standards and reputation with clients. Discussions with two Wall Street houses, Kuhn Loeb and Loeb Rhoades (both of which took part in mergers later in the year) failed to yield promise of the sort of agreement Marron and his colleagues wanted.

"The conditions we formulated for merging with anybody were that we would continue to run the institutional equity business and that there must be no degradation of the quality of our operations. Lastly we wanted to ensure that our management had a say in whatever company we went into," recalled Michael Johnston, now president of the Mitchell Hutchins subsidiary of Paine Webber.

Whatever reservations Paine Webber may have had about these conditions, and none have been publicly apparent, they

were counterbalanced by an appreciation of the high quality people being acquired through the merger. In addition to Mitchell Hutchins' all round strength in trading, analysis and sales, Paine Webber did not hide the fact that it was attracted by the smaller company's managerial talent. At the time the merger occurred Don Marron was appointed president of Paine Webber and put in charge of its investment banking operations.

Thus the union was one of the most interesting if not one of the most typical of last year's crop. On the surface here was another elephant swallowing a goat, but the Paine Webber elephant, with its 6,000 employees and \$123m capitalisation, was to wear the Mitchell Hutchins goat like a talisman on its forehead. It hoped to retain Mitchell Hutchins' client list of wealthy individuals and institutions and so spread its costs over a larger revenue base. In the process it hoped to alter the fact that 14 per cent of Paine Webber's clients accounted for 80 per cent of the company's revenues.

Mitchell Hutchins' modest size ensured that there were not many people whose functions overlapped but neither company would have wished the problem to be any greater. One of the most visible areas was in the two companies' research departments.

No serious charge could be laid against the quality of Paine Webber's analysts; indeed, 10 of them featured in the Institutional Investor's 1976 all America research team. This is a peculiarly American phenomenon which can at times make or break a career. Each year the team is elected by the magazine's poll of the institutions. The primary consumers of analysts' reports, Mitchell Hutchins, however, had 17 per cent of its analysts on that year's team and the company's management had secured, under the terms of the merger, responsibility for assembling the post-merger research department.

Since they were committed to "no degradation" of standards but also to expanding the breadth of the new research department, Michael Johnston affirms that "we wanted to hire as many good analysts as we could." All of the Paine Webber analysts were interviewed by a three-man Mitchell Hutchins panel during the course of a month. At the end of it all 10 were offered jobs and eight accepted.

Similar procedures were adopted for integrating the institutional sales and trading functions of the two companies. In all, 14 Paine Webber salesmen were brought under the control of Mitchell Hutchins management. By the time this task was completed, the head of Paine Webber's institutional trading department had left because the role had passed out of his hands. He was followed by the head of Paine Webber's research department who chose to move to Goldman Sachs. Other managerial casualties of the merger were the men who ran the bond and commodities trading departments.

### Reasonable

Looking back on the merger, Larry Ross feels that Paine Webber employees were, and still are, "very reasonable people." "It would have been easy for them to say 'we are running the show now and you dance to our tune.' There has been none of that."

Marron, who is still only 43 and is now the likely successor to Paine Webber's chairman, James W. Davant, thinks that the "largest element of mutual benefit achieved by the merger is that the reputation and standards of Mitchell Hutchins have not been seen by old clients to have deteriorated while they have been recognised by the individual clients of Paine Webber."

The year since the merger has been an extremely difficult trading time for all of Wall Street, not least for Paine Webber. But the more difficult the time, the greater the importance of managerial skills in a company. Within Paine Webber it is generally felt that the acquisition of Mitchell Hutchins has brought greater depth to management and a stronger flow of new ideas.

Marron himself is giving much thought to applying some of the participative concepts which worked informally at Mitchell Hutchins to the very much broader canvas of the larger organisation. He is focusing on recruitment, training, payments and communications but his approach is still governed by a statement he made at the time of the merger.

"I want to be involved in both the theory and practice of our activities. I want to try to export everything we do, from economics to art, to that larger country called Paine Webber."

## Why Deep Throat got his export orders twisted



"It's either Deep Throat or a wrong number with a bad cold."

relatively less committed to exporting than some of the others, it happened to have done \$1m of business with the Indonesian Government before.

"That's why, at the beginning of 1976, we got this vague whisper of a big deal coming up for the 10 universities," Mr. Macey explained.

"From Deep Throat?" I asked. "Call it market intelligence," he said.

By March 1976 Harris had learned enough about the likely shape of the impending contract to commit some real money to trying to tender. But even then, there was a serious worry. Success would depend not least on furnishing the Indonesian Government with a five-year credit facility, and to offer that, the company would need to persuade the Export Credits Guarantee Department to change its long habit of regarding educational products, not as capital goods, but as consumables.

As the negotiations with ECGD sputtered on, Harris identified the types of equipment wanted by Indonesia playing clever, and hedge his bets by allying himself also to one of the other major bidders, then we might as well not start.

concerns best placed to make up the deficiencies.

"Like the others, Herbert Tooling was chosen for its expertise," I was told. "But the fact that it is owned by the National Enterprise Board was certainly no hindrance in persuading the ECGD to change its approach. What seemed to clinch the argument, though, was our finding the precedent of an earlier deal with Seoul University for supplying equipment, including 31 lathes."

In the May, after gingerly testing the chosen collaborators' interests, Harris called them together.

"We gave it to them straight," said John Haller, the Shenstone company's managing director. "We said that the Indonesian Government would not deal with a consortium. Philip Harris would have to be the customer. But the only medium through which we could have a chance of the contract, was an informal consortium based on trust. If John Haller and I had been to talk to our agents, the people at the Ministry, and Lloyd's Bank in Singapore. But from the December we were getting on and off planes for Jakarta almost as though they were buses."

The trips culminated in a four-week visit by representatives of all five companies last August to negotiate with the Indonesian Ministry's top officials and technical advisers—during which they were briefly plunged into despair by Mr. Macey's misinformed informer.

Thereafter, the consortium's confidence only grew as each further stage of detailed negotiations reinforced the belief that a substantial chunk of the contract must be coming to Britain. Meanwhile, however, fate was preparing one last shock.

While the companies were already wondering how much celebratory champagne would be justified by the order, the Indonesian Government proclaimed that it simply could not accept one of the ECGD's standard clauses covering the unlikely possibility of a short fall in supplies. Mr. Macey was instantly at the ECGD's offices, in a mood to thump the table.

"What happened there was good, I suppose, for my sense of proportion," he said. "The ECGD chap took one look at me and said that he hoped I wasn't going to be impatient, because each of the two men who'd seen him before me that day had as good as taken off their jackets at him. The first had been agitated about a contract for £50m, and the second, was worried about an £80m order. And there we were, ready to blow our top over a mere \$10m."

"That calmed me down a bit. I saw that all we could do was accept his assurance that he'd do what he could and that it would probably be all right on the night. Which it was."

"It's like that a lot in exporting, you know. You do your damndest, but there's always some critical stage where the matter has gone out of your hands, and you've just got to settle down and play some other game until it comes back again. You get desperate, of course, but—take that horrible night in Jakarta for instance—you always manage somehow to squeeze a joke out of the situation to make life bearable. If you can't do that, then you'd better accept that exporting isn't the life for you."

Michael Dixon

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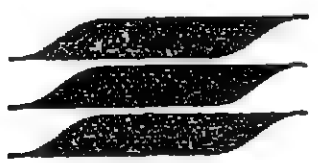
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## by NIGEL ANDREWS

## Maggio Musicale—2

Other writers were more cathartic and less puzzled. Many praised the work's candor and skill, and Enrico Matta, writing in *L'Avvenire*, spoke of "great cultural style" and "refined irony," while Daniele Spini, in *La Nazione* of Florence, pointed out that the early work contains, in embryo, the typical ambiguous Britten character.

# Historian Picture

by WILLIAM



"In Love

But he has not. No, sooner than the film unveiled its big surprise—that Hoffman was in an endearing “victim of society” but a pathological criminal, returning after jail to a life of violence and crime—this carefully constructed interest is blown out of the way by the action mechanics of a crime film. The bank robberies are stamped with flair, and there are moments of prickly truthfulness in the hero's relationship with his older sidekick, Detective Don Stanton. The film is a good deal more than to crime less for material gain than to save off the enslave-

Wide sympathetic to independent film-makers who rub big companies the wrong way. I can understand the foundation's concern. The film presents an abrasive and credible picture of police and crime and of the discrimination against the British black community. But having done so, it piles fantasy on fact by bringing out the Down-With-Capitalism placards and announcing or sonorously implying, that the only society in which man will be free is the Communist one. This is much telling footage in the film—street riots, of demonstra-



tions, of interviews with young blacks who have been on the receiving end of discrimination —but the use to which it is put tells another sort of story altogether.

## by WILLIAM PACKER

"Great Victorian Pictures," an Arts Council exhibition that was reviewed earlier in the year when it was at Leeds, at the start of its tour, comes at last to London, to the Royal Academy, where it goes on show from April 10 to May 12. It is a very enjoyable collection of old favourites and not-so-favourites, of the familiar and the comparatively obscure, in which even the most backtracked and over-played have surprises to offer. The advantage for them fans was usually won at a remove, and it is good to see "The Stag at Bay," "Bubbles," "The Death of Chatterton" and "Eastward Ho," and many more of the best of the last century, in fine things in any case, so that a viewer is no more than their due. The show has changed somewhat in the meantime, the exigencies of a long tour and the need of substitutions necessary. In Leeds, much admired Lady Butler's "The Toll Call," lent by the Queen; and now I am looking forward to seeing its newly cleaned replacement, "Scotland For Ever," one of the best of the collection, fifty years than the thought.



by WILLIAM WEAVER

York

## by J. M. THOMSON

York, with its plethora of historic buildings, its gritty northern pride and its elegant sense of occasion, is a mecca for all who appreciate on a human scale the things London lacks. The York Early Music Festival (July 1-28) grew from a week's early music in April last year. It is not only a showcase for British specialists but a meeting place for European artists and a tour-de-force for the city. Mainstreet restaurants are not catchpenny tourist traps. There is practically no trumpery. A wholly unresented and festive permeates the city.

These qualities shone out of the best of the music, from the medieval Ensemble of London in the Merchant Adventurer's Hall which fully deserved the recording contract it has just won from the crackling professionals, the

renaissance Band of the London  
Orchestra in the Guildhall. Not  
for nothing did the blue record-  
ing company name the Deutscher  
Konzertklub its outside  
concert. Exceptional talent and  
enthusiasm showed its energy in  
the Morning Schools Early Music  
project (brainchild of John  
Beeson of Decca) where dance  
and movement had freshness and  
involved the children in nature  
and environment, brassplaying  
and singing. A guitarist who  
made one listen to every note,  
and instruments such as hurdy-  
gurdies, made by the children  
and played with very joyful  
freedom, were the nucleus for  
the culture schools. A early music  
festival to parallel the annual do-  
minion of the Royal Albert Hall.  
So richly endowed is the city  
at it is possible to hear music  
on a scale and surroundings  
to match the best of the  
competition, running the gamut

## Camden Lock

## by ANTONY THORNCROFT

## Theatre Upstairs

### Irish Eyes and English Tears

## English 1 ears

by B. A. YOUNG

This new piece by Nigel Baldwin is not another item in the Royal Court's current obsession with Ireland, but a play about a tramp who is taken up by a gang of Fulham yobos. The tramp, who is called Irish Eyes because that is the song he sings to collect pennies on the pavement, is ultimately killed by Les, the yobbo who first adopted him. The play is an opposition from its mates and his title is irrelevant. There is a god deal of action between, but little to account for the behaviour either of Les or Irish. The play is an incoherent sequence of short scenes that range from the Shed at Stamford Bridge to the shore at Hastings. Some of them are almost totally irrelevant. Some hint at plots or subplots that are not properly developed. The main events of the play strike me as exceptionally improbable and, moreover, it lacks any kind of backbone. To make worse, the Fulham boys' speech is inarticulate and unconvincing. Ian McKellen, the director, has been encouraged to let his players be inarticulate, unless they were simply unsure of their words.

It is a weakness of young writers like Mr. Baldwin, who have passed their youth wandering down-market job to job, to have no other mother, to have no other past, from their early experience of automatically have a special interest for those of us who pass these dashing lives. Alas, it isn't. However sharply you call on those *Wanderjahre*, you still





## FINANCIAL TIMES

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Friday July 14 1978

## Summitry in Bonn

THE SUMMIT meeting which begins this weekend in Bonn and at which the seven leading countries of the industrialised West will be represented has attracted much advance publicity and roused many advance hopes. The case for such a meeting at the highest political level is quickly put. The seven countries together account for roughly half of the world output and trade. Yet the growth of world trade has fallen dramatically in the past three years and the immediate outlook for economic growth in the countries which belong to the Organisation for Economic Co-operation and Development is far from promising.

The general need to counter unusually rapid rates of inflation has checked the growth of output and led to a widespread rise in unemployment; the United States, which until now has been most vigorous in taking domestic measures to counter these tendencies, is now itself being forced to change course by the weakness of the dollar. In such a climate, there is a real danger that individual countries will seek to solve their own problems through open or concealed measures of protection and that the growth of world trade and output will be obstructed still further.

There is general agreement about the nature of the problem but much less agreement about the best means of tackling it. Since the issues involved are intensely political, however, it seems essential that some rough consensus of opinion should be reached at the highest political level.

## EEC study

The summit meeting itself has, in fact, been preceded by two other rounds of international economic discussion, the aims and results of which have been promising enough to keep optimism alive. At Bremen a week ago the heads of government of the nine members of the European Community decided to press ahead with a study of means by which their individual currency systems could be more closely inte-

grated. The aim of such a move would be to produce a greater co-ordination of economic policy inside the Community and at the same time to create a currency bloc whose very existence would help to reduce currency speculation and its harmful effects on world trade.

The least enthusiastic supporter of this development was the UK Government, which not only has to reckon with the views of Labour's Left about economic sovereignty in general and the EEC in particular but must take account of the fact that this country's industrial structure and proneness to inflation would make its participation in such a currency bloc particularly difficult. But the ambitious nature of the proposal and the seriousness of its main supporters is demonstrated by the fact that maintenance of a single currency bloc would be helped under it by pooling a sizeable part of the official exchange reserves of members.

## Modest hopes

It is clearly important that the Bonn summit should not be an obvious failure: the trend towards protection and recession might then become more pronounced. But it is equally important that no extravagant hopes of success should be planned on it. In some areas, the heads of government are themselves severely restricted by political factors.

In other areas, where political factors are not so intractable, the translation of general agreement into firm proposals will take much time and argument—as is also the case, indeed, with the Bremen and Geneva Agreements. The world economic situation is not likely to be changed dramatically at Bonn; it may well turn out in the long run that the proposals for closer monetary union in the European Community are more important. But even an agreement in principle between the leading industrialised countries to continue working together for the common good could have a value and produce a momentum of its own.

## Agreement on Namibia

AFTER FIFTEEN months of arduous and often delicate negotiations, the five Western members of the UN Security Council have achieved what at one time looked virtually impossible: they have got the agreement of the warring parties to the Namibian dispute to agree to a complex package of proposals for the peaceful transfer of that territory to independence under a freely elected government. In April 1977, when the U.S., Britain, France, West Germany and Canada began their initiative, Pretoria was adamant that it would grant independence to Namibia only under an apartheid based South African sponsored government. The South West Africa People's Organisation (SWAPO), which is the main nationalist movement and the only one internationally recognised, was equally adamant that it would accept no such thing.

## Lessen tensions

Even if Rhodesia, with its acute problems of nationalist divisions, defies solution for the time being, a Namibian settlement certainly ought to lessen tensions in southern Africa. It should remove one area of potential large scale confrontation (which could incidentally ease international pressure on South Africa itself) and it might help to lessen the Soviet Cuban presence in Africa by relieving Angola of the continuing need to patrol its southern border. This in turn could affect U.S.-Cuban (and perhaps U.S.-Soviet) relations, were Cuba, which has apparently supported the Western effort on Namibia, to withdraw some of its troops from Angola. The prizes there are great, but the question remains as to whether the Western proposals can actually be implemented. The proposals—which were agreed by South Africa in April but by SWAPO only on Wednesday—provide for a UN supervised transition to independence following free elections to a Constituent Assembly. This body will draw up an independent constitution, and it seems to be envisaged that the Assembly itself or members from it, would form the independent government.

The obstacles to the implementation of the proposals are of two kinds. First, it is clear that although the parties to the dispute have broadly agreed to them, the proposals still have to be debated in and accepted by the United Nations Security Council, the only body competent to authorise what could be a very large military and civilian force.

## Enormous problems

Soviet hostility to peacekeeping forces is well known, and the threat of a Soviet veto must remain, even though the Western powers believe that such action is unlikely in view of the widespread African support for the proposals. A problem of a different kind is that SWAPO, which has already said that it will not accept independence unless the port of Walvis Bay is part of Namibia, may try, with Soviet and other support, to change the nature of the proposals during the Security Council debates.

If the package gets Security Council approval, however, there are still the enormous problems of the transition, from the actual organisation of a UN force, and the phased withdrawal of South African troops (down from some 20,000 to 1,500 within three months and total withdrawal within about seven months), to the ceasefire and the problems of organising an electoral campaign among the real bitterness that has built up over the years between SWAPO and the South African authorities, in particular. It seems certain that the present timetable of independence by December this year cannot be met under the Western plan; and in the event of difficulties, South Africa retains its option of an internal settlement, and SWAPO of continuing the guerrilla war.

But whatever the difficulties ahead, there is no doubt that the five Western powers have made something of a breakthrough in international diplomacy by mediating between apparently irreconcilable parties. The UN is demonstrably too large and unwieldy to perform a similar function, and it may well be that the five power formula could be used with advantage in trying to tackle other deadlocked issues, starting perhaps with Cyprus.

## Unitary taxation threat to the multinationals

BY DAVID FREUD

## THE U.S. LAW TO ENSURE ARM'S LENGTH TRANSFER PRICING

The relevant statutory provision is Section 482 of the Internal Revenue Code. The text runs:

"In any case of two or more organisations, trades, or businesses (whether or not incorporated, whether or not organised in the U.S., and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the Secretary may distribute, apportion, or allocate gross income, deductions, credits, or allowances between or among such organisations, trades or businesses, if he determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of such organisations, trades or businesses."

Regulations were issued in 1968 to define the terms in the section and to give examples of specific calculations. In addition a considerable body of case law has grown up.

It means that a company must price its products to a connected company abroad as if it were an entirely independent organisation.

If the prices are not set on the arm's length principle, most tax administrations have powers to assess companies as if they had been. This approach is adopted in the OECD draft double taxation treaty, in all of the UK's 70 or so treaties as well as legislation around the world.

In practice, however, determining the arm's length price is an enormously complicated task. The only cut and dried way is by comparison with the price paid for the same product by an independent company—the so-called "comparable uncontrolled price" method.

Unfortunately for tax administrators, such a direct comparison is available in only a tiny minority of cases. Because of this they have developed a number of fall-back methods. These approaches have been laid down very precisely in the U.S., which leads the world in tackling the problem. Explicitly or implicitly, however, all other Western countries apply broadly similar criteria.

When the U.S. Internal Revenue Service (IRS) has decided that the "comparable uncontrolled price" method does not apply in a particular instance, it next tries the "resale price" method. This method works backwards from

the reseller's price via an "appropriate mark-up percentage" to arrive at what would have been the arm's length price on the preceding transaction.

The drawback to this approach is that it is only applicable where the reseller does not do very much to the goods. The more work he performs on the product the greater the room for argument over the "appropriate mark-up percentage."

A third approach is through the "cost-plus" method, which simply takes the cost of production and adds a margin of profit to arrive at the arm's length price. Variations of this technique used by the IRS are to price the component parts of a product or to investigate what the return on a particular investment should have been.

In the real business environment, however, such assumptions about the importance of margins on pricing policy are generally inappropriate. The most important factor is what the market will bear. Most tax administrations accept that prices for products can be low—even below cost—in some cases.

The UK Inland Revenue, for example, will allow a below cost transfer price where the company is trying to break into the market, trying to sell a complete range or selling an item related to its main line of business as a loss-leader.

In effect establishing the true

railroads—and in fact this was probably as fair a way as any of doing this. The level of distortion was low when all the states used the same formula within a single economic unit.

But the approach becomes arbitrary when spread across countries with widely different economic environments. The California formula, for instance—based on labour costs, assets and turnover—could mean an oil company paying high taxes on oil produced from expensive, poor productivity wells, and low taxes on low cost, high productivity wells.

That anomaly would exist even if all countries adopted the same formula for assessing unitary tax and identical accounting standards. In practice, however, each country would use the formula most favourable to itself. California—a high-wage area—has inserted a labour content in the formula. Low wage countries would probably not.

A forerunner of what would happen is provided by Alaska. The state is very keen on unitary taxation. Mr. Sterling Gallagher, its commissioner for the department of revenue, expects the system to spread across the U.S.

Yet Alaska has just decided that the production and transport of oil—and oil only—should be taxed on the profit arising within the state. The main foreign company affected by this measure is British Petroleum and the effect of the decision will be to make the local tax on BP much greater than it would have been under a unitary system.

## Balance of advantage

This picking and choosing where the balance of advantage lies when applying unitary taxation would become the main threat to multinationals. It would effectively create widespread double taxation and could lead to many multinationals facing tax bills bigger than their gross profits.

Tax administrations in the Western world are firmly attached to arm's length pricing and would put up determined opposition to the spread of unitary taxation. But the example provided by the U.S. States could prove stronger among the less developed countries.

If unitary taxation does become widespread, current patterns of international trade, based as they are on the multinationals, would be radically undermined. This could represent another damper on the growth of world trade, already way for the U.S. states in suffering as the forces of protectionism strengthen.

## Climate of opinion

To counter such instincts, tax administrations round the world have developed a set of rules controlling transfer prices. While the existence of multinationals was recognised in law early in the century, it is only in the last 10 years or so that controls on their pricing behaviour developed teeth.

There are two reasons for the relatively recent toughening of attitudes: to taxing multinationals. First, the general climate of opinion has swung against giant corporations in many countries. Secondly, the cost of government has expanded hugely in all countries, leading to determined attempts to increase tax bases and plug tax leakage.

Tax administrations apply their control by insisting that intra-company dealings across national boundaries use "arm's length" prices. This formula-

## MEN AND MATTERS

## Sweet airs on Royal Exchange

City workers in need of a little musical uplift might do worse than telephone the Guardian Royal Exchange Assurance: if the extension they ask for happens to be busy, they will be treated to a Mozart piano concerto. GRE is the first company in Britain to have installed a "music while you wait" system on its switchboard. Other firms are now racing to follow suit—with Allied Breweries in the lead. The vice-chairman of GRE is Keith Showering; he was so taken with the innovation that he ordered the equipment for Allied, where he is chairman.

Of course, music for "stacked" callers has been a public relations device used by major companies on the Continent for several years. But to install it in Britain without Post Office permission makes you liable to a £100 fine or six months in jail. The GRE communications consultant, Charles Macaulay, told me yesterday that although the Post Office telecommunications head-

quarters took some time to accept the principle of "music while you wait," they proved accommodating in the end. The system works through a computer and the waiting caller is automatically switched to whichever composer is on the current disc. Despite his name, Macaulay has an accent rather reminiscent of Maurice Chevalier. He explains that he was born and brought up in France. But it was in Brussels, not Paris, that he first heard telephone music and decided to introduce it here.

He says the reaction so far has been highly favourable. "There has only been one complaint, from an insurance broker who said Mozart sounded too cheerful."

## Cash flow slows

The Socialist International's meeting in Vienna broke up at the start of the week with its traditional camaraderie intact—or almost so. But for the Israeli Labour Party there had been some harsh news. Shimon Peres, leader of the party, was told that if it did not catch up on its subscriptions it would forfeit its membership. "It is not a big problem, only a matter of an annual £3,000 or so, and it will be settled in a week or two," Peres assured us.

If this does not happen, however, the matter will "be noticed" at the International's bureau meeting in Paris in September, said Bert Carlsson, secretary general at its London head office.

The Israeli subscriptions have not been paid since 1975, British officials tell me. The once ubiquitous Sir Eric Miller was then honorary treasurer of the International, and it is doubtful whether Shimon Peres would have been called to account so openly if Miller—a strong supporter of Israel—had still been in charge of the International's finances.

An aftermath of Miller's tenure of office is revealed by a writ issued recently by Peachey Property, a subsidiary company, against his widow and the managers of the Churchill Hotel. The writ lists various political services that Miller allegedly provided through the hotel. Apart from entertaining the Labour Party and supporting various causes dear to the heart of Sir Harold Wilson, Miller allegedly picked up a bill for £7,292 for banqueting the Socialist International; other bills were for accommodating prominent Israelis such as Abba Eban, the former foreign minister. The Churchill was the site of the Socialist International's emergency conference after the Yom Kippur war.

Next week the Churchill is to be the site of the conference between the foreign ministers of Egypt, Israel and the United States.

## Fresh news

Yesterday some fairly bleak observations appeared in this column about supermarket bread, contrasting it unfavourably with the baguette to be seen in any Parisian bakery. Even before most readers had digested the topic, a messenger arrived at Bracken House from one of our more enterprising supermarkets groups. He bore "une véritable baguette" made with French flour, we were assured—and a box of doughnuts and cream cakes to sweeten the message. Touché. Diamond merchants should now watch this space for a few observations about them.

## Growing pains

We all know that it is no longer done to talk of "underdeveloped countries." It is still politically fashionable to refer to the Third World, although that term defies economic

definition. So if you are not in the OECD you must be a less developed country (LDC) or a developing one (or a communist country, which falls outside the scope of this discussion).

But where can one place Singapore, or Kuwait? If per capita income is a yardstick of development the former is now clocking up \$2,700—and rising fast—while Kuwait boasts the world's highest income per head. Being classified as an LDC can have some advantages if you are looking for a soft loan from the International Monetary Fund, but the problems of establishing what "developing" means stir controversy well beyond the economic arena. For instance, there will be an international symposium next January in Singapore on Science and Technology for Development. The steering committee has been meeting near Vienna and the vexed topic was raised by Dr. Maurice Goldsmith, from Britain. After saying that Singapore's technological needs are entirely different from those of the Central African Empire, Goldsmith asked the gathering for a definition of "a developing country." None could be agreed.

I telephoned the Singapore High Commission. "Are you an LDC?" I asked. "The IMF says we are developing," was the firm response.

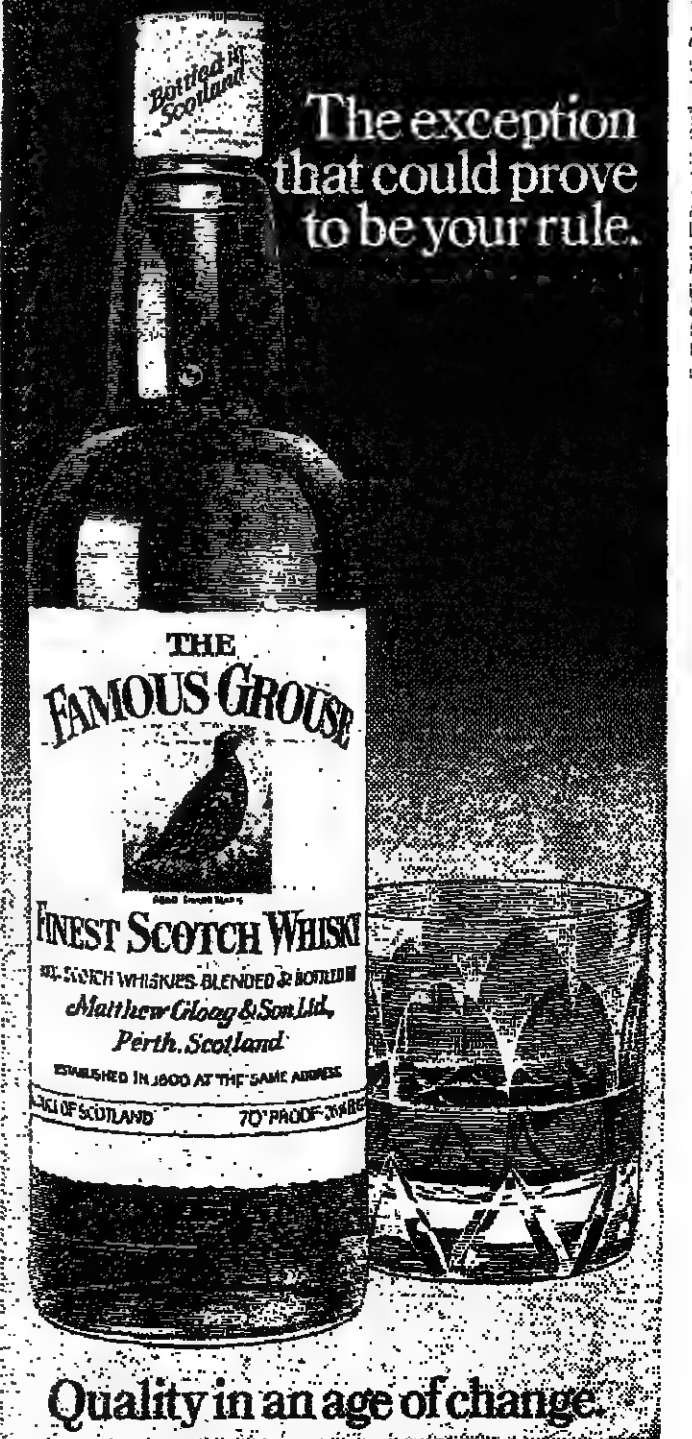
## Shrewd appraisal

From a Devonshire newspaper: "After the man had made an inquiry in the Housing Department he shouted abuse at the counter staff, picked up a chair and broke a window, and then ran into the street. By the time a clerk had got outside the man had disappeared."

A Council spokesman said he thought the man was not satisfied with the answer to his inquiry.

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# FINANCIAL TIMES SURVEY

Friday July 14 1978

## Stainless Steel at Shepcote

Despite its many problems the British Steel Corporation is confident that its decision to invest in the largest stainless steel complex ever built in Europe will prove correct. The Shepcote plants at Sheffield and a smaller centre in South Wales have cost £130m.

### Bravery should bring results

By Roy Hodson

AS THE world steel recession enters its fourth year and the big international companies acknowledge there is no discernible prospect of an upturn, British Steel is commissioning the largest stainless steel complex ever built in Europe. On the face of it, the £130m investment (which was priced at \$80m when the go-ahead was given in 1974) could be an unwanted baby for a nationalised industry which lost £443m last year and is expecting losses of the same order this year. Certainly it is a burden on the BSC Sheffield Division whose manager John Pennington says: "We have got to get the new stainless development into full operation and profitability because at present it is a major drain on the division." The division lost £30m in the last financial year — attributable to a large degree to servicing the new stainless investment capital.

Yet, paradoxically, British Steel has probably done exactly the right thing by pressing ahead with its big investment

in stainless steelmaking. For stainless is one of the few growth areas that the marketing men can look towards with any degree of certainty. The growing sophistication of industrial equipment and consumer goods means that demand for stainless will grow faster than the general growth of steel demand in all industrialised societies. Indeed, the growth in stainless demand in Britain is virtually certain to be ahead of that of the rest of the world during the next few years because Britain's usage of the metal has lagged over the last decade.

A second reason why boldness is likely to pay in the case of British Steel's stainless investment is that the Corporation — big international companies already Europe's biggest steel company — is stealing a march on the competition which they will find hard to counter. In the present depressed climate steelmaking complex ever built in Europe. On the face of it, the £130m investment (which is likely to try to match or outpace the new BSC plant.

In particular the Swedish steelmakers who have long regarded a big share of the British stainless steel market as their rightful possession acknowledge that they have not the resources to build new tonnage stainless steel production to be competitive with British Steel.

The total investment of £130m covers the establishment of two completely modernised integrated production complexes at Shepcote Lane, Sheffield, and Panteg, South Wales. Each centre is fully equipped for electric steelmaking, ingot and continuous slab casting, and cold rolling and bright annealing. The Sheffield hot-rolled plate production facilities have been doubled in capacity.



Cutting the products to length at the Shepcote Lane Works.

city. "Frankly we are building for the long-term with this total investment and we cannot be influenced or deterred by short-term market conditions," said Derek Bray, director of British Steel Stainless—a unit which is operating with a degree of independence as a profit centre within the Corporation.

The Shepcote plants at Sheffield are based upon new stainless steel melting capacity of 350,000 liquid tonnes a year while Panteg, South Wales, contributes a further 50,000 tonnes

liquid capacity. British Steel has, in fact, doubled its tonnage capability to make stainless with one investment spread over just four years.

Of the order of one-tenth of British Steel's total turnover will henceforth be in stainless steel.

The doubling of capacity is setting a hard road to follow for Gordon Hill, the stainless commercial manager and his newly augmented sales staff. Yet there is great confidence at the

Sheffield sales offices that new business can be won at home and abroad to absorb the extra output.

One lucky break for British Steel has been the Parliamentary decision in favour of the Windscale nuclear waste reprocessing facilities. That single project which will use stainless steel at a rate never seen before in Britain. Indeed, it is one strategic reason why the stainless investment was sanctioned originally. Orders are now being placed

for stainless steel for some of the first items of the £1bn Windscale project by British Nuclear Fuels. British Steel expects to supply up to 5,000 tonnes a year. Had the new Sheffield tonnage stainless facilities not been ready much of that business would necessarily have gone to Sweden, France, and other stainless steel makers.

The confidence of the stainless steel salesmen that they can make the new plant work for its living is based upon the new

positions Britain is about to occupy in the world stainless steel leagues. Henceforth British Steel will be one of the senior producers of stainless hot rolled coil. The U.S., Japan, West Germany, and Sweden will still be above Britain in actual tonnages being made. So in that market British Steel is restoring itself to a strong position rather than going out on a limb with additional capacity.

### Prospects

In the other big stainless steel trade — cold rolled sheet and coil — Britain will still only be sixth in the table of world producers. France, Italy, West Germany, Japan and the U.S. all will continue to have bigger capacities.

One of the brightest prospects is the opportunity now open to British Steel to build up home sales in two ways. Imports will be displaced by the provision of adequate supplies of home-produced stainless at competitive prices and good quality. Also the market itself can be expanded by simply making more home-produced stainless available. Britain still uses much less stainless steel per head of population than almost any other advanced nation.

To Sheffield—where much of the pioneer work on stainless steel was done in the early years of this century—the Shepcote investment with its new electric furnaces and the complicated installation of mills and finishing plants represents an important reaffirmation of the city as a world centre of special steels.

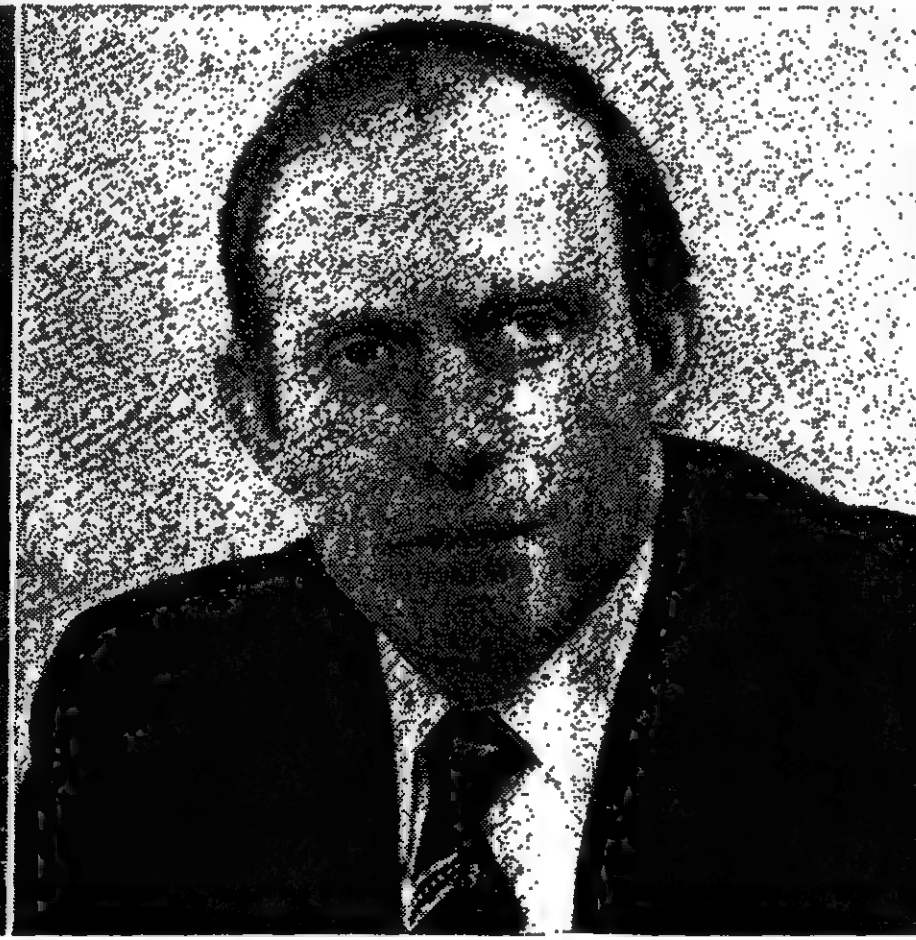
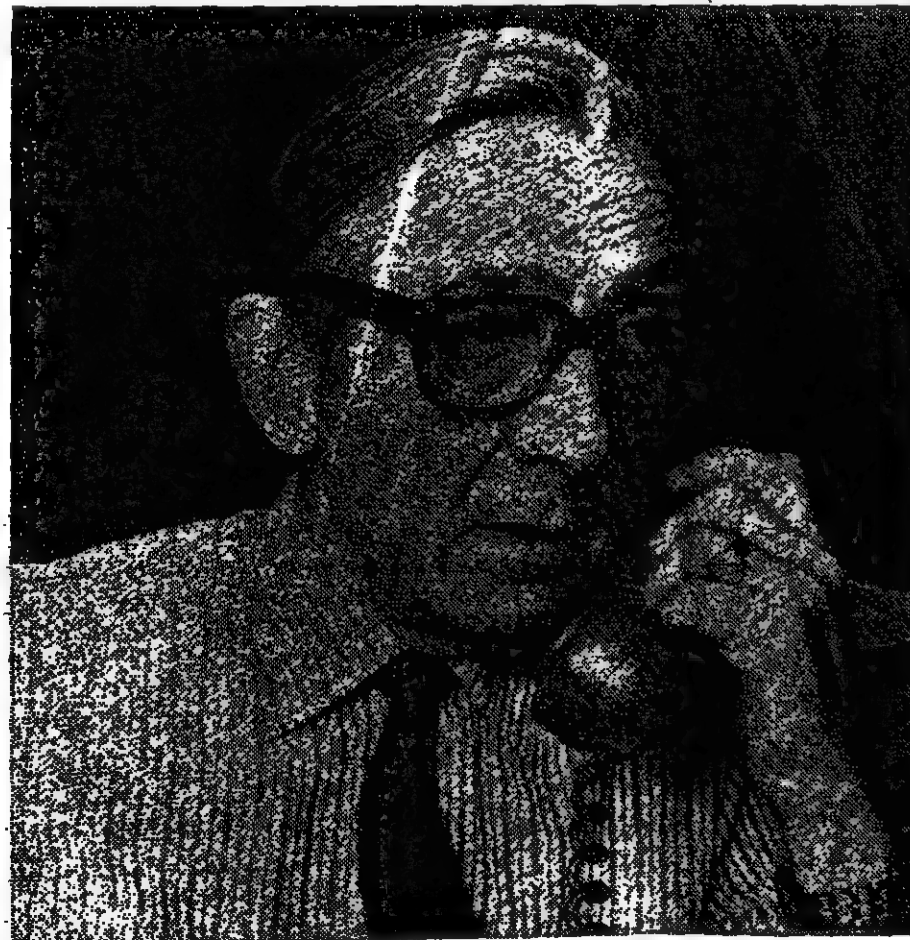
The site itself—actually two sites divided by marshalling

yards—is within two miles of the city centre. Sheffield will not mind that, however, for equipment for extracting and cleaning fumes at every stage of the process is some of the most comprehensive ever installed by BSC.

The cleanliness of the works is remarkable. Heavy emphasis has been placed upon it, partly for environmental reasons and partly because the delicate nature of the product itself demands production without contamination. A trace of dirt can spoil the surface of a stainless steel sheet which has already passed through more than 10 different processes.

So the works is laid out in a way that gives a glimpse to other British Steel workers of the probable shape of things to come in the steel industry. Lawns are being encouraged outside the melting shop and trees have been planted.

British Steel is currently losing on average £25 a tonne on all its products and finds itself about half-way down the table of loss-making big international steel businesses. Clearly the new stainless complex will continue to be a drain in the early years as the heavy capital investment has to be serviced while sales and production are still being worked-up. But 1980-81, the year which Sir Charles Villiers, the chairman of British Steel, has set his managers as their target for returning to at least a "break-even situation," is also the year in which BSC Stainless is hoping to be achieving full production. From then on the stainless plants should be in a position to make an important contribution to BSC turnover and—more important—to BSC profits.



## Why we welcome Shepcote 2

Shepcote 2 is a splendid investment, and it creates secure job opportunities in an area which is renowned for its high-value special steels.

Management, workers and their unions at BSC stainless all know they now have the facilities to build up the productivity, quality and service—and the competitiveness—customers demand, given that BSC stainless is determined to deliver the goods.

It is now in everybody's interest for the key decision makers in Britain to exploit this investment by specifying British Stainless Steel wherever possible.

*Lesel Munn*  
GENERAL SECRETARY,  
TRADES UNION CONGRESS

At £130,000,000 Shepcote 2 amounts to a huge investment, even from a national standpoint. The installation of this brand new, world-competitive plant completes the reconstruction of Britain's Stainless Steel Industry.

Most important of all, it provides BSC stainless with the foundation for its bold strategy to make Britain an increasingly large net exporter of stainless steel.

*Ern Varley*  
SECRETARY OF STATE FOR INDUSTRY

The building of this massive new stainless steel plant, Shepcote 2, will revitalise a key sector of the British economy. It should provide a model for similar levels of investment in other sectors.

Industrialists and other users of stainless steel in the UK should consider the new factors Shepcote 2 brings to bear on buying and technical decisions about materials—obviously there are now some major new reasons why indigenous supplies of stainless steel should be able to provide a much larger share of British requirements.

*Jim Sullivan*  
DIRECTOR-GENERAL, CONFEDERATION  
OF BRITISH INDUSTRY

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Do they stock pipe, tube, butt weld and threaded fittings, flanges and fasteners?		Yes
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Are their stocks British made wherever possible?		Yes
Are they a large independent public company specialising in steel stockholding?		Yes
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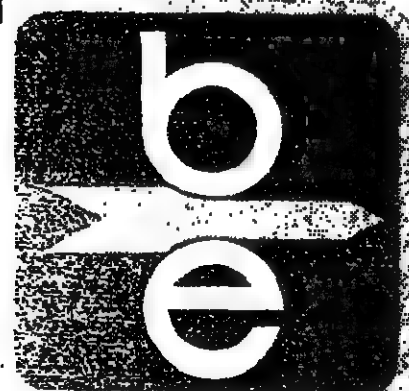


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## STAINLESS STEEL AT SHEPCOTE II

# Opportunities for the marketing men

BRITISH STEEL has been uncomfortably aware for many years that it has been losing ground in the world stainless steel trade. The new plants give it the muscle to fight back with a vigour which will be all the more felt in the market place because it comes at a time when steel trading is thoroughly depressed.

Most of the stainless steel used for consumer applications is in the form of cold rolled sheet and coil. The statistics show how Britain has lagged behind in stainless steel usage. Whereas Japan uses 6.8 kilos of cold-rolled stainless steel per head of population annually, West Germany 4.6 kilos, France 3.3 kilos and the U.S. 3.2 kilos. Britain uses only 1.1 kilos per head.

The stainless marketing men see a tremendous opportunity to increase the total usage of stainless in Britain until consumption per head of population has been pushed up to the figures of the world's highest consuming nations.

Gordon Hill, BSC Stainless commercial manager, believes too that the world economic recession, following upon the 1974 oil crisis, which has caused such general depression in steel trading will actually help the growth of stainless steel usage in the long term. "The old throwaway world has gone as a result of the years of depression," he said. "Now people want to buy things that will last. We are seeing this particularly in consumer durables where people are now actually looking for stainless steel in their washing machines, washing-up machines, and other appliances. Another example is, of course, the stainless steel car exhaust - a market in which British Steel is now doing well."

Even throughout the current steel trading crisis stainless steel has held its market well worldwide. And there is every prospect that consumption of

stainless will soon be rising again at a much faster rate than consumption of cheaper forms of steel.

In European markets consumption of both hot-rolled and cold-rolled stainless has held up at between 80 per cent and 100 per cent of pre-1974 levels during the worst periods of the trading slump. There has been little new business about. But the BSC sales staff take comfort from the fact that at least demand for stainless has been maintained. Now they expect it to get back on to its traditional growth curve of some 5 per cent additional demand each year.

### Capacity

When planning for the Shepcote development started in the early 1970s British Steel accepted that a big increment in stainless steel capacity would be needed to put the corporation into a world-competitive position once again. For years BSC had been losing out to the other stainless producers of America, Japan, and Europe.

More recently new producers from the third world had started to appear upon the scene - notably Mexico, Finland, Spain, and South Korea. Since the Shepcote plans were laid other foreign stainless steel investment have gone ahead. Taiwan, South Africa, and Rumania, are expected to be pitching in world markets within a few years.

The extra capacity will have to be sold by British Steel both at home and abroad. BSC Stainless has been exporting 45 per cent of output. With a doubling of capacity to some 200,000 tonnes of finished stainless steel a year the percentage of steel exported will also have to rise.

But exports are not the whole answer. BSC Stainless has no wish simply to raise its foreign sales at the expense

of profits. The sales drive will be concentrating upon those exports which can show as much - or nearly as much - profit as home sales.

The only exception to that is likely to be specific exports into competitors' markets. The object then will be to remind some foreign producers that if a free-for-all sales campaign is conducted in British Steel's home market the Corporation now has the production strength to hit back in the foreign producers' territories.

To spearhead the export drive BSC Stainless is opening wholly-owned sales offices and warehouses or selling through Corporation-owned sales organisations in such key markets as America, Canada, France, Germany and Sweden.

As far as British Steel is concerned the U.S. is still a virgin market for cold rolled stainless and the BSC Stainless sales force has hopes of winning a lot of new business there.

In the home market the new plants set the scene for a fight by British Steel to win back what it feels is its rightful share. Now that steel of the quantity and quality needed will be freely available from the new plants the struggle can begin. Already BSC Stainless has nearly 70 per cent of the home market for hot-rolled stainless coil. The objective will be to keep that market share, allowing room for some trading flexibility, and for second sourcing by companies who value the independence given by having an extra supply source.

The extra weight of effort in the home market, however, will be in the selling of cold rolled sheet and coil from the new plants.

Within the last year BSC Stainless has regained some of that trade from imports raising its market share from 35 per cent to 44 per cent. From now on the fight will be fierce with BSC Stainless seeking constantly to raise its market share

by 1) the ready availability of level, in real terms, for some years. That puts BSC Stainless into a very competitive position against other materials, notably aluminium and other non-ferrous metals, on the basis of pure cost-effectiveness.

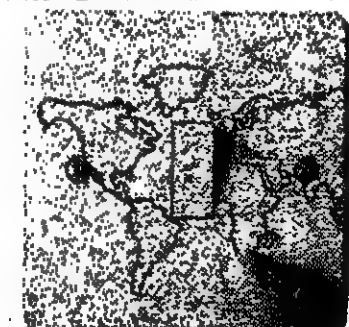
The future for stainless depends upon the housewife settling for domestic items which have a longer working life - and being prepared to pay a premium for them - and upon industry increasingly turning to stainless steel to combat corrosion. The advantages of stainless in motor car construction are already being appreciated by the motorist to such an extent that manufacturers are switching to use of the metal for many key car parts. Stainless is also being chosen increasingly for industrial plant construction. Indeed, there are many applications in fields such as chemicals and nuclear engineering where no other metal is acceptable.

BSC Stainless estimates that British industry is already spending some £3.5bn a year to repair the ravages of corrosion. It foresees a growing market for stainless steel as industry increasingly accepts that such a waste is avoidable by the use of stainless steel and other non-corrosive materials.

Prices are moving in favour of stainless steel at the present time in areas where it is in competition with other materials. M. J. Whitecross, BSC Stainless marketing manager, says: "Pierce International competition has driven stainless steel prices down to their lowest level."

Roy Hodson

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operation to the exclusion of everyone else."

Certainly BSC do intend to have at least a foothold in stockholding. It can be a profitable operation, and Corporation officials feel it only right to have, as they phrase it, "a part of that action."

What will have to change is the relationship between BSC and independent stockholders in the UK. For six years BSC have plumped for the right group of six. Now, with their agreement, the time has come to spread the stockholding net wider.

This is perhaps easier said than done. At the last count, there were something like 40 stockholders in the U.K. handling stainless steel, and Mr. Hill made it clear that spreading the net so wide was out of the question. Some rule themselves out by their style of operations - in and out of the market when it suits them. Others are really traders. Some are deliberately second-tier stockholders. A few have chosen to gear their operations to imports.

"What is also unchanged," he added, "is our concept that we don't intend to go it alone. We have no intention of building up our own steel stockholding

capability and the desire to increase market share and yet find major stockholders turning to overseas producers for stainless steel because we have declined to supply them," said Mr. Hill.

So BSC are in the process of gradual expansion in stockholding, having outlined and received the support of the stockholding industry - their plan to increase the Corporation share of UK cold rolled sheet to 70 per cent. If future operations were confined to the existing six stockholders only, that BSC increase would just not be arithmetically possible. So now the question seems to be "who else?" It is not a casual, occasional relationship that BSC has in mind. They see the link between the steel-maker and the stockholder as a major bond. And there is no question of a tier structure. "You can't have second class citizens in stockholding; there is too much competition," said Mr. Hill.

At this stage, with discussions still at a delicate level, Mr. Hill will not be drawn on the eventual number of stockholders who will have the chance to assume this special

CONTINUED ON NEXT PAGE

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## STAINLESS STEEL AT SHEPCOTE III

## Industry gets the message

IN THE eyes of the public, stainless steel is inextricably linked with beauty and decorative craftsmanship. Twenty years of design, which inevitably brings out the cool attractive surface of the steel, have shaped and fostered this image.

It is perhaps ironic then to be assured by British Steel Corporation sales staff that the amount of stainless steel sold purely on aesthetic grounds is small indeed. Almost insignificant even when viewed in the overall context of sales to industry. What matters here are the unique corrosion resistant qualities of the metal in its various grades and forms.

In 1971, the Department of Industry published a vital document, the Hoar Report, which examined the problem of corrosion in Britain. It is inflation since then is taken into account, the reports finding suggests that corrosion now costs Britain at least £3,500m a year. A staggering total, and yet one that could be reduced substantially through greater use of stainless steel.

## Sheets

Industry generally is certainly getting the message, and quickly in some sectors. Over 90,000 tonnes of stainless steel in the form of cold rolled sheets and hot rolled plates is now used in Britain each year to solve corrosion and processing problems. In addition, a further 7,000 tonnes of cold rolled strip is subsequently rolled into tube, and seam welded, to service the growing market for process and heat exchanger pipework.

For stainless steel has more to offer than just corrosion resistance. These extra factors are, perhaps, the clinchers, for no other alternative can offer them all, in one material.

High strength is one obvious factor, particularly when placed alongside the astonishing corrosion resistance. But this strength does not mean that the metal cannot be formed easily, concept hinged on first-cost work and welding techniques. On the contrary, and straight-forward welding techniques financially incorrect. Much

ensure that fabrication does not present problems.

Process industries were the first to recognise the value of this combination of attributes for their special needs in situations where elevated temperatures and corrosive environments are often encountered. So in such process applications, where alternatives are much more expensive, and often a great deal more difficult to weld, the question now is invariably which grade of stainless steel to use.

Today, stainless steel is not simply a metal for the hot spots, and the problem areas. Its use extends much further down the scale. At over £1,000 per tonne for cold rolled sheet, although less for hot rolled material, stainless steel is expensive when studied in the context of the common carbon and low alloy structural steels used throughout industry. But when maintenance requirements are introduced into the costing, and the high cost of corrosion protection correctly assessed, stainless steel can show considerable savings over other, initially cheaper, materials over the full life of a project.

Take, as a modest example, a mild steel vessel which, in this form, represents an investment of £1,000. Over a 20 year life span, the choice of this material cannot be financially justified unless less than £133 per year is spent on painting, repair of corroded areas and other maintenance. At any figure higher than this, it would have been better to purchase a maintenance-free stainless steel vessel in the first place at twice the cost; assuming a uniform cost of capital of 12 per cent.

The message is getting through. Proof of this comes in the interest shown in the seminars organised by the Department of the Environment under the auspices of the Environment and the Corrosion Eating Your Profits? Increasingly, the so-called corrosion resistance is being proved to be forward welding techniques financially incorrect. Much

greater attention has to be paid to maintenance requirements throughout the life of a project. Much greater attention has now to be paid to corrosion for purposes other than simple cost. Because of this, it seems certain that industrial markets for stainless steel will grow.

One insidious form of corrosive attack, which affects most materials where heat, stress and an aggressive environment are combined—a not unlikely trio in many industries today—is stress corrosion cracking. Unlike the more general forms of corrosion, which usually involve the removal of surface material over relatively long periods, stress corrosion cracking can strike quickly, often in a matter of weeks, given the necessary conditions. It can leave plant in apparently perfect condition—except for ominous and dangerous localised cracks in what could be key areas affected by stress.

## Competition

BSC Stainless is concentrating on the development of a new hot rolled ferritic plate, below 13mm thick at the outset, to combat this form of attack. The development is already proving successful, having already been chosen, in the teeth of competition from traditional materials like cast iron and modern reinforced plastic structures, despite their original cost advantages.

But the stainless steel market will also grow because of the stimulus of low-cost alloys which more exactly match the demands of less critical applications at costs which are even more attractive when the maintenance-free life is taken into account.

Hyform 409, the alloy originally developed for the automobile exhaust system market—and which proved outstandingly successful there—is finding numerous other applications. Its relatively low cost, and easy acceptance of standard pressure work and welding techniques, make it a particularly equitable material for a whole range of

industries, for instance, in radiator thermostats for cars, which traditionally were made in brass since the dawn of motoring. Already, one manufacturer has switched to stainless, and a second is on the verge of a final decision about the use of Hyform 409.

New, and advantageous, avenues are continually opening up. At the core of many chemical and metal processing plants are refractory-lined furnaces, heaters and recuperators. The high cost, relatively short life, and susceptibility to damage of such refractory linings is an accepted headache. Now, low-cost stainless steels are being used in a novel reinforcement system which is bedded in the lining as it is applied.

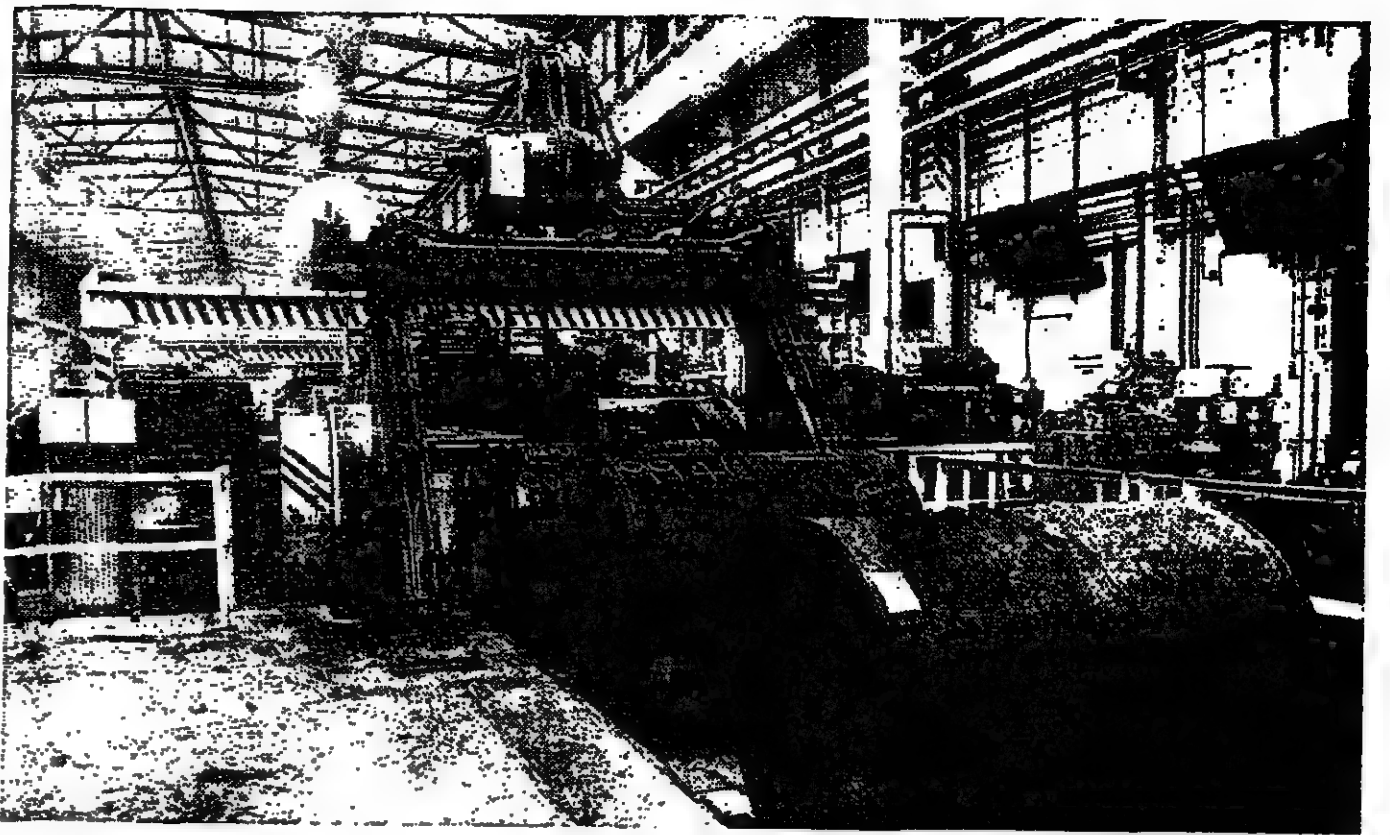
Although the stainless reinforcement is never even seen during the life of the furnace, it can still exploit the strength, corrosion resistance and heat resistance properties of the metal to the full.

Perhaps industry managers and designers should pay more attention to their wives, or their garden. After all, the stainless steel saucepan on the stove has to stand up to some pretty hard knocks. It has to cope with fierce, sudden heat, with violent temperature changes, and with a whole range of materials. And it gets scratched and scraped daily, as does a stainless steel garden spade.

But how often do they need maintenance? Does a saucepan need to be taken off the cooker and a substitute used for a period? A useful lesson indeed.

Every day, over a thousand different chemicals are carried around the roads of Britain in stainless steel tankers, from the mundane to the highly dangerous, and products ranging from milk and beer to nitric acid. This is another example of the sheer versatility of this metal, and another lesson for industry, and another chance to take a fresh look at that staggering corrosion bill.

Frazer Wright



Building up the coil.

## Stockholding

CONTINUED FROM PREVIOUS PAGE

commercial relationship with BSC Stainless.

Nevertheless, current industry gossip seems to suggest around a dozen likely candidates, including the current six. There are signs too that BSC intend to develop more awareness among employees of stockholders, with talk sessions now under way to sharpen the sales message. BSC insist that the old system worked well for both the Corporation and the stockholders chosen. A doubling of product capacity, however, brings a changing world.

The care BSC is taking in choosing its new associates is a particularly illuminating example of the importance of stockholders to the steelmaker. Steel executives are only too well aware of the commercial power of a group of stockholders.

If they choose to stock, or destock, at a time when this does not suit the steelmaker, the whole cycle can be affected to some degree. The larger stockholder, who can place sizeable orders, especially when he is an associate of long standing, can expect price benefits as a reward in this about 5,000 tonnes of plate, and

relationship. Therefore he is a potent factor in market stabilisation at times.

The whole pattern of stainless steel distribution in the UK differs somewhat to that for other forms of bulk steel. Stainless flat products—the cold rolled sheet and the hot rolled plate—are sold within the UK to a relatively large number of small companies. Individually, their consumption is small. But there is also a much smaller number of comparatively large customers who require correspondingly large amounts.

Although there may be something like 2,000 different customers for the stainless steel flat products, only a handful have the sort of regular demand to match the large scale production capability of the mills, and are thus able to comfortably order direct.

So about 50 per cent of the total demand has been met, in the past, by the six stockholders working with BSC. Without this link, and the relationship it has entailed, even BSC admit that the distribution system would be unmanageable.

BSC point out that simply keeping a strategic stock of advanced state before despatch

12,000 tonnes of sheet and strip in warehouses throughout Britain means that stockholders perform a service of incalculable worth to industry in terms of convenience and "cost of possession" alone.

Rapid delivery of ordered steel is often now taken for granted, but even maintaining this service takes very fast management with experience of the business, which can involve the swallowing up of huge amounts of capital in stock, equipment and buildings. And this, with an order load which may only extend days ahead.

## Outlay

One survey suggested that British stockholders help their customers to shoulder over £17m worth of capital outlay through their service. But stockholding today is much more than a straightforward warehousing operation. Increasingly, they are involved in a whole range of added-value activities, usually as a result of a demand from customers.

This has meant the development of facilities that can prepare material to a far more advanced state before despatch

to the customer. Coil can be cut to length, polished and slitted. Blanking work can be done. Plate, often difficult to handle, particularly on site, can be sheared, cut by plasma arc equipment and even profiled before delivery.

By working closely with the steelmaker, stockholders can often anticipate market needs. One example of this was the way some stockholders, using the BSC technical services offered to them, decided to go ahead and stock plate to BS 1501, which is of considerable importance in the manufacture of pressure vessels and similar advanced plant.

The last few months of recession have brought better relationships between steelmakers and many stockholders, who have made clear their desire to support the UK steel industry.

Davignon, and the confused aftermath have brought problems for both, but stockholders have been insistent that the health of their industry ultimately depends on the strength and vitality of British industry, their customers, and their suppliers.

Frazer Wright

## Shepcote 2. The hard facts about a tough industry.



The successful completion of the £130m project will provide a strong foundation for Britain's process plant industry, for hot and cold rolled stainless steel.

MR. R. O. BURTON, DIRECTOR, NEI PURCHASING AGENCY

Alfred Simpson Ltd., and the other leading stockholders backed by BSC Stainless, provide an unrivalled stockholding service throughout the UK—and with Shepcote 2 it will get even better.

MR. CLIFF KEELER, DIRECTOR, BRITISH STEEL SERVICE CENTRES

Obviously if all things are equal we much prefer to buy British Steel. Our future lies with companies who invest in Britain, and it is up to us to support and participate wherever possible.

MR. J. MCDONNELL, CHAIRMAN, METAL ENGINEERING GROUP

The hard facts expressed by a cross-section of our customers speak for themselves—and they go a long way towards explaining why BSC Stainless is the largest supplier of all the stainless steel used in Britain. And why our market share is growing.

Perhaps you don't buy most of your stainless steel from us or aligned stockholders. If that's so, then you should consider the following facts:

Shepcote 2 is Europe's biggest purpose-built stainless plant.

BSC Stainless now has two completely modernised integrated plants, one at Shepcote Lane, Sheffield; one in Panteg, South Wales.

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Shepcote 2 provides us with the plant to make cold rolled coils up to 1525mm wide, hot rolled plates up to 3050mm wide, and special 'Precision Strip' down to 0.075mm thick.

Now we would like to hear from you.

Finally we would just like to put this before you as a summing up. With Shepcote 2, you now have a source of high quality stainless steel that is newer, more modern than any other. Nearer than any other. Backed by an unsurpassed range of stockholding facilities and technical services. And it's wholly British. We suggest that these are four very good reasons for switching your purchasing decisions our way.

For any further information about the products and services available from BSC Stainless for Britain and overseas, please contact:

**BSC stainless**  
BSC Stainless, PO Box 161, Shepcote Lane, Sheffield S9 1TR

The excellent technical back-up provided by BSC Stainless is a major factor in our buying decisions. High quality stainless steel is an essential material for Carron's development.

MR. L. LAIBIE, CHAIRMAN & MANAGING DIRECTOR, CARRON COMPANY

GKN Sankey Limited, manufacturers of stainless steel beer kegs, casks and fittings, place great emphasis on quality, delivery and price to enable them to sell all over the world in a very competitive market. Shepcote 2 gives BSC the opportunity to improve on its already high standards in stainless steel sheet and coil.

MR. W. WARD, SALES DIRECTOR, PREVIOUSLY PRODUCTS OPERATIONS, PRESSING DIVISION, GKN SANKEY LTD.

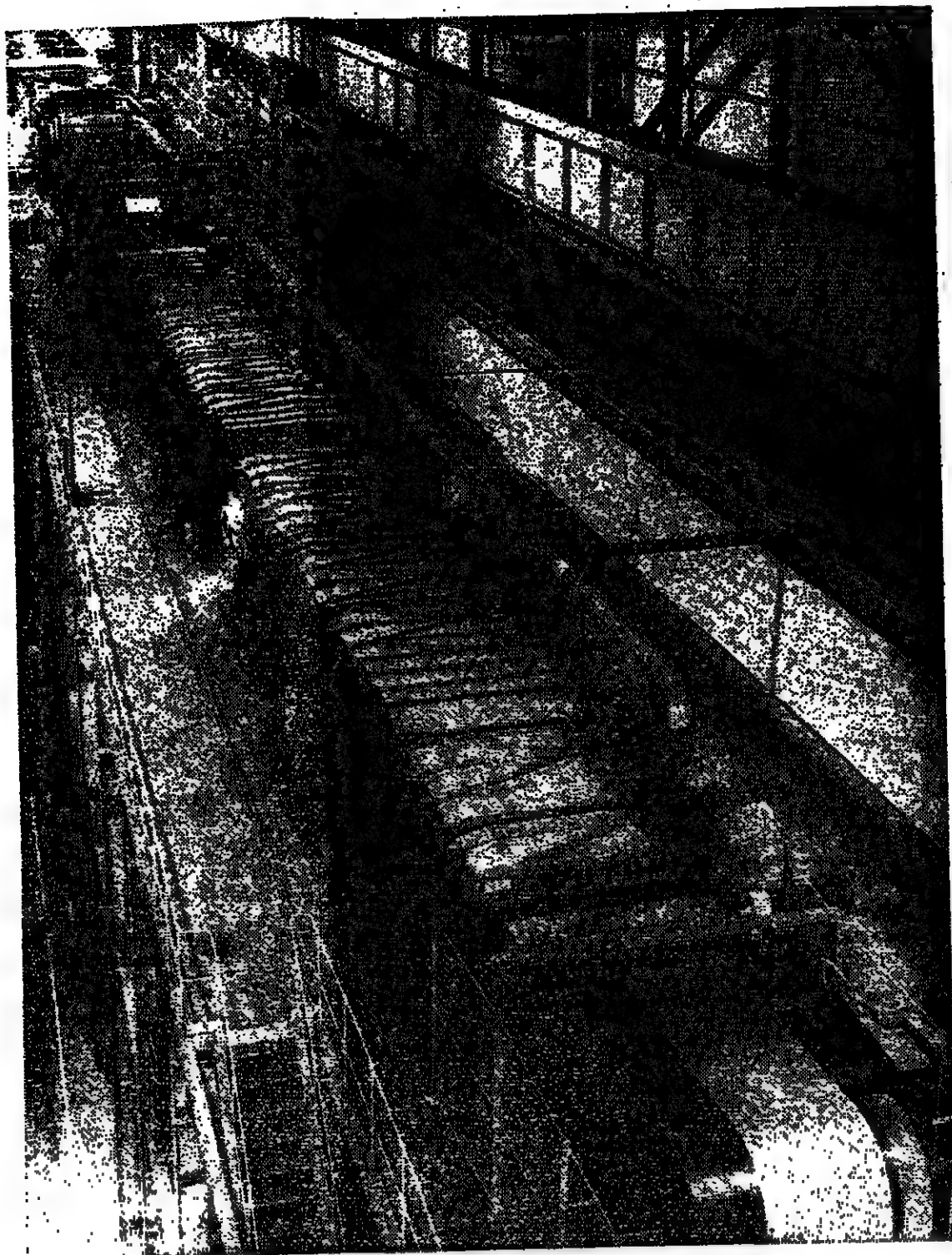
Yes—the fact that BSC Stainless is autonomous, and in the UK, helps us to get through to their key executives fast. This is vital in the fast moving business of the motor industry.

MR. J. JONES, DIRECTOR & GENERAL MANAGER, TI CHENWICK, SILENCERS LTD.



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## STAINLESS STEEL AT SHEPCOTE IV

# Advice for the customer

FROM THE early days of the development of stainless steel as a commercial proposition, manufacturers have taken a vigorous and active part in product development, both for the good of the customer and for the industry.

In some respects, stainless steel was something of an enigma to potential customers. They were only too aware of its immensely valuable properties, yet through a combination of suspicion, inexperience and often inaccurate gossip, they tended to fight rather shy of tackling the metal.

The interest was there, as was the potential. It needed a suitable push to harness it all, and the need for this assistance was obvious. By 1972, the bulk of stainless steel manufacture, certainly as far as flat products were concerned, was in the hands of BSC. Product development and advisory services evolved accordingly.

The old Stainless Steel Development Association, which had performed a useful job was clearly outmoded, and in April 1973 the Corporation set up a new Stainless Steel Advisory Centre.

This was followed, more recently, by an important re-organisation to form BSC Sheffield Laboratories, which brought together the former Corporate Development Laboratory in Sheffield, and the extensive BSC Swinden Laboratories in Rotherham. This created a useful combination of complementary units each with important experience of product development work.

The Advisory Centre was, in fact, from the start an information bureau. Unusually, perhaps, it was open to both industry and the general public, although it is essentially aimed at users of stainless and special steels, as opposed to bulk steels. Certainly, it seems to be the first serious attempt to give helpful advice about special steel usage and related problems to anyone needing such advice and assistance.

### Research

Conveniently, the Centre is based alongside the Technical Information Department and Library of the Swinden Laboratories in Rotherham, South Yorkshire, to provide a direct entree to the extensive engineering and applications research on special steels housed there.

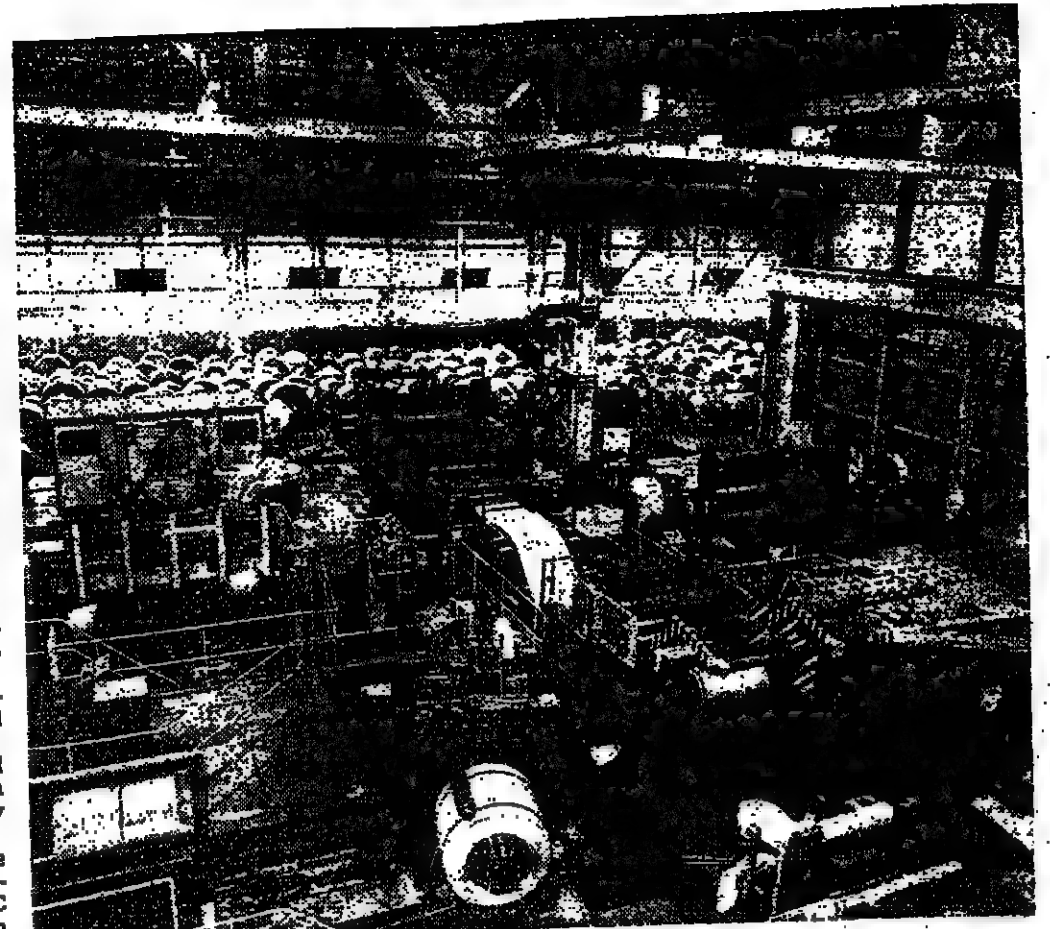
An analysis of the first year's inquiries is interesting. Over 40 per cent concerned stainless steel, and 20 per cent covered corrosion problems. In the latter sector, the inquiries came from engineers seeking advice on welding, heat treatment, processing and finishing. Architects sought the source of building components. Designers had material selection problems. Life was nothing if not varied for Centre staff, for they handled a surprisingly wide range of queries from the general public too. Housewives wanted to know how to clean stainless steel sinks, and there was even a worried request on how to clean the bottom of a stainless steel column in a shopping precinct, which was apparently much visited by dogs.

The bulk of the requests for help, however, have been technical inquiries which are analysed, coded, and then stored in the Research Centre computer for subsequent retrieval and examination. Regular recurring requests are monitored to see whether new research needs to be put in hand, or if specific literature should be prepared. Most enquiries to the Centre are telephone queries, and most can now be answered at the time of the call. Indeed, the majority are answered within the day.

Product development work is in the hands of the BSC Sheffield Laboratories, which have over 700 staff providing close technical support for the works in the BSC Sheffield Division, and the allied BSC Billet, Bar and Rod Product Unit.

As part of the £130m stainless steel development in Sheffield, BSC Stainless has commissioned a series of major product development programmes that are more application-orientated than any previous investigations.

An important part of the BSC Stainless brief has been the need for a more utilitarian image for their metal, too long considered an unapproachable combination of the beautiful and the exotic, perhaps, in some eyes. In recent years, the demand for new grades of stainless steel has fallen, although the 1960s did see the development and introduction of the new nitrogen-bearing Hiproof steels. At the time of their introduction, prevailing design codes did not permit the full exploitation of the high proof stress values, according to Dr. D. T. Llewellyn, of BSC Sheffield Laboratories, but it is still considered that the develop-



The slit and edge trim line.

ment was technically sound and probably deserving of further attention.

Quality improvement in ferritic steels has received considerable attention, and development work is proceeding on both industrial and domestic applications, while the field of nuclear power engineering has emphasised the importance of work in Eschete 800, an austenitic iron-chromium-nickel alloy which has aluminium and titanium additions. This is seen as a tube billet material able to satisfy the stringent corrosion and welding requirements of nuclear reactors.

The whole field of nuclear power is of considerable importance to BSC Stainless, and substantial orders have already started flowing in from this sector.

Many of the products originating from stainless steel strip are subjected to cold forming operations, and expertise in this field has received priority, to assist customers with the new product development so important to stainless steel.

The construction of forming limit diagrams provides an intrate sector, the inquiries came from engineers seeking advice on welding, heat treatment, processing and finishing. Architects sought the source of building components. Designers had material selection problems. Life was nothing if not varied for Centre staff, for they handled a surprisingly wide range of queries from the general public too. Housewives wanted to know how to clean stainless steel sinks, and there was even a worried request on how to clean the bottom of a stainless steel column in a shopping precinct, which was apparently much visited by dogs.

The BSC desire to develop a more utilitarian image for their steel has resulted in some curious developments which are, nonetheless, worthwhile. Sanitary ware is an example of this. Vandalism always takes a toll and this is one area where the virtual indestructibility of stainless steel could be of the greatest importance. The steel brings the added bonuses of hygiene and attractive appearance too.

CONTINUED ON  
NEXT PAGE

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## ANOTHER MAJOR PROJECT COMPLETED FOR BSC STAINLESS

Following on from the completion of the Plate Mill Project last year, Octavius Atkinson have now fabricated and erected steelwork for the Sheet and Coil Processing Plant at Shepcote Lane. This massive project has required 7,500 tonnes of building structure.

In the current BSC development programme, Octavius Atkinson are fabricating over 30,000 tonnes of structural steelwork for the various complexes throughout the U.K.

Apart from erecting building structures, the company specialises in providing structural steelwork to the petro-chemical, chemical and mineral extraction industries, both in the U.K. and on a world-wide basis.

The services of Octavius Atkinson are continually being employed internationally, where typical current contracts range from the supply of steelwork for the major mining complex being constructed in the Philippines to the supply of plant structures for the Chahbahar Naval Base in Iran.

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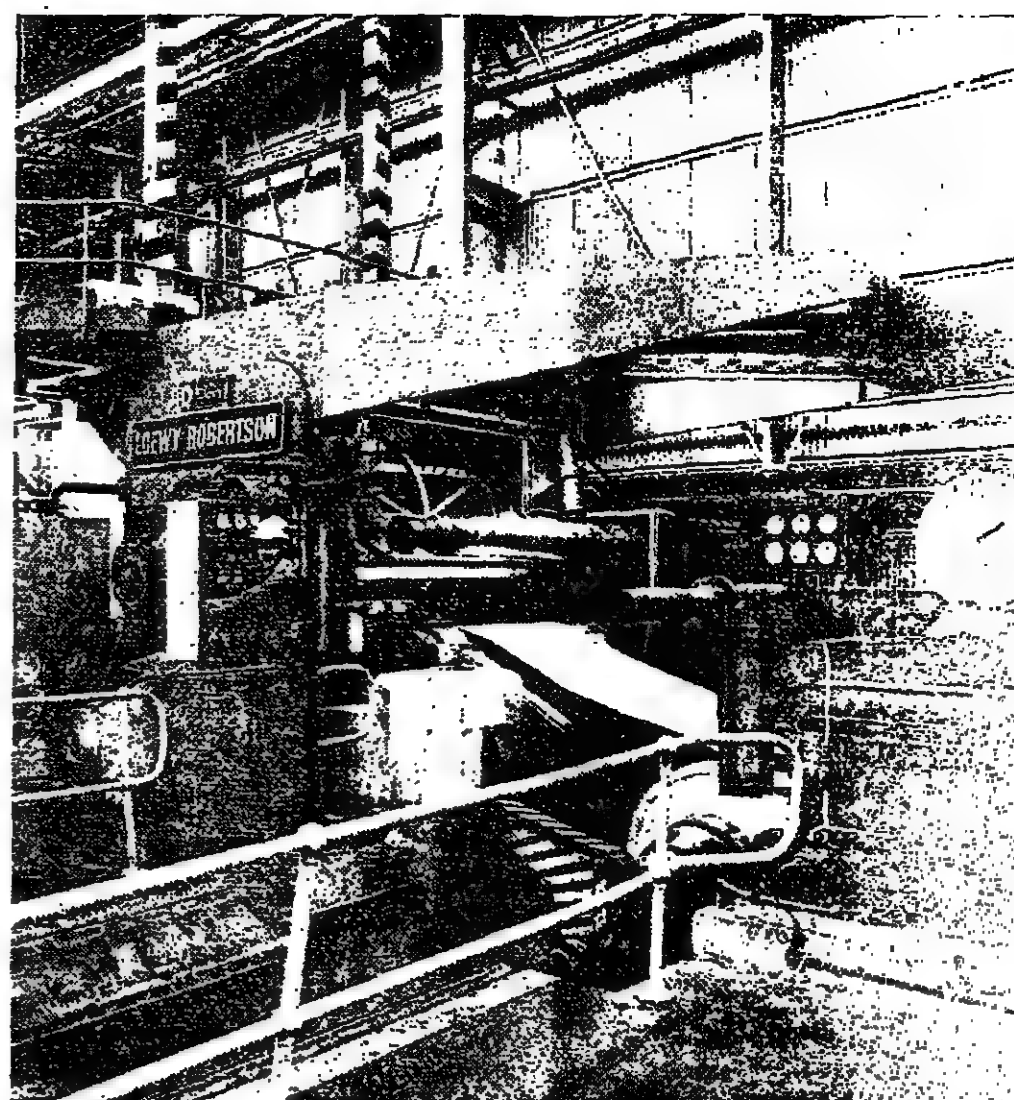
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## STAINLESS STEEL AT SHEPCOTE V

## Breakthrough near on exhaust systems



The skin pass mill.

THERE IS little doubt that the stainless steel exhaust system has, inside a few years, become an accepted part of the motor world. Equally, it represents a success story for marketing tactics employed by the British Steel Corporation.

But it is still a story without a happy ending, and tantalising to an extreme. The final success has still to come for BSC, for none of the mass market manufacturers has yet made a stainless steel exhaust system standard on a middle range saloon.

For two, perhaps three years, the concept of a five year exhaust system has been gradually taken up by the luxury car makers both in Britain and Europe. As a bolt-on accessory for the existing car market it has proved highly successful.

Not until you can buy, say, a Granada or a Princess with a stainless system as standard will the BSC exercise be a complete success. Nevertheless, industry can still study, with some envy, the way a product was devised, developed and marketed, as a model study.

## Concept

The concept of such an exhaust system is far from new. Sheffield stainless steel plants had the idea as a golden gleam in the early 1960s. They were only too well aware what an appetite such a market would have for their metal. But they were only too well aware too that the types of stainless steel then available in bulk were hardly suited to mass production of such systems. Some steels which appeared to be possible candidates were too brittle or difficult to weld, bend or pierce. Some had one quality, others another. Few met the stringent range of qualities which were obviously necessary. Although development reached an advanced level.

The final breakthrough came with a new steel, Hyform 408, a ferritic stainless steel produced to a closely controlled chemical analysis using a composition balance factor to limit the for-

mation of the brittle martensite phase in the parent sheet and the welds.

Production involves a process route in which steelmaking, rolling and annealing variables are optimised to provide easily fabricated material. Rigorous quality control, and surface quality checks are essential.

Once the steel had been successfully developed, an extensive programme of road proving trials was carried out which proved that exhaust systems could be made from Hyform 408 using the same techniques and machinery employed for mild steel exhausts. The softness, and low rate of work hardening of the new steel proved ideal.

BSC had already commissioned the biggest and most detailed survey ever undertaken of the long-life exhaust market. The results demonstrated the general demand for durability, and confirmed that the 2,000 motorists questioned considered that exhausts caused more troubles than any other component of modern vehicles.

Even more hopeful was the comment of 90 per cent of the motorists quizzed, who endorsed the idea of paying an extra £15 for a car having a stainless system fitted as standard. Fifty-eight per cent even said they would buy, or seriously consider, a stainless steel system as an optional extra at a proposed additional cost of £30.

The resistance came from the major car manufacturers, when initial plans for stainless systems, then in the existing 18/8 stainless steel, were discussed. The majority of the industry insisted that they could not afford to load the extra cost of an exhaust on to a car because the first owner, who had to pay the extra, probably would not get the full benefit of the system.

Now, with Hyform 408, the life of a stainless exhaust is in the region of five years. Now, the extra cost of a system as standard could be about £10. For an item price increase of

50 per cent, the system would give two and a half times the life of an aluminised mild steel system.

Still the carmakers resisted. The other avenue was still open, however. Grundy Auto Products Ltd., a South Wales company who started making stainless steel silencers received a £350,000 investment from BSC, "because manufacturers could not be expected to invest in developing the market." Now BSC has a 49 per cent stake in Grundy.

The venture has been a success, spurred particularly by the legislation which brought silencers into the annual MOT car inspection from the beginning of last year. Some manufacturers are already using stainless systems as standard—Rolls-Royce, Jaguar, Mercedes, Volkswagen, BMW and Porsche, for instance.

## Marketing

BSC insist that it is now only a matter of time before they are joined by some, if not all, the mass market companies. Perhaps stainless systems are not as likely to emerge on the low budget cars. Here, the aluminised mild steel system could maintain its position.

But in the range of cars currently costing £4,000 and more, the system will surely come now the five year life cycle is established.

The marketing programme has been paralleled by a substantial research and development effort by BSC Stainless designed to continue development of its steels, and help manufacturers design exhaust systems which use the advantages of stainless steel to the full.

Operating conditions in service have been scrutinised over the long term, and each component in the system has to be viewed both individually, and in context so that failure from corrosion or fatigue does not occur.

Variations of temperature and environment occur all along exhaust systems, and the choice of materials, therefore, depends

on the extremes of these criteria. Corrosion from the inside is an important factor, arising from exhaust gas condensate. This in turn is affected by factors like internal design, silencer position and the acoustic packing materials used.

Development staff found that the temperature of exhaust gases leaving the cylinder head was often up to 800 degrees C. External pipe skin temperatures were up to 500 degrees. External skin temperatures of silencers could be as high as 200 degrees. And the final gas emissions were still up to 400 degrees.

The system does more than remove exhaust gases from the engine. It cuts down the noise of this process too. External noise tests have shown that well-designed stainless systems can achieve the same degree of silencing as comparable mild steel systems—even with wall thicknesses 20 per cent thinner than mild steel.

Performance tests, to measure fuel consumption, acceleration, and top speed show no worsening of performance with the stainless system.

The success of Hyform 408 in the exhaust market has already led to widespread study of other industrial applications, bearing in mind that on a cost ratio scale, where mild steel is equivalent to 1, 408 comes in at 4.2.

Potential applications range from industrial chimneys, facing corrosion and oxidation problems, to mining equipment, scientific instruments and such chemical plant accessories as catwalks, insulation strapping and stairways.

There are many other potential uses in the motor industry. Already, radiator thermostats are being manufactured in stainless steel.

Next could well be petrol tanks, radiator tanks and caps, underbody frames and wheel arch liners. In fact any automobile parts which need resistance to high temperatures, or the stark combination of water, salt and grit from the road.

Perhaps the Hyform 408 family will, eventually, be as

broad and as varied as that of the familiar 18/8. Already it has proved itself as the ideal compromise for exhaust systems. It is already available in sheet, coil, thin gauge plate and precision strip. For the future, there are more intricate exhaust system uses in store for it. Stringent regulations are already in force in the U.S. to minimise pollution by exhaust gases.

One widespread attempt to tackle this problem is the catalytic converter. This too has a substantial appetite for stainless steel, and already many thousands of tonnes of 408 have been exported to the U.S. for their construction, as well as the steel used in U.K. cars destined for the U.S. market.

Recent developments confirm the tendency to move towards a greater use of this cheaper, ferritic steel instead of the 321 stainless originally specified.

So both the concept of stainless steel exhaust systems, and the material developed to make them now stand on the threshold of great things. Only the final nudge is now awaited.

F.W.

## Advice

CONTINUED FROM PREVIOUS PAGE

As invariably happens with stainless steel, the initial cost of such products is higher. The savings on maintenance, however, together with their vandal-proof qualities offer substantial attractions in the long term.

With considerable encouragement from BSC, several manufacturers have now entered the field of stainless steel sanitary ware, finding type 304 stainless ideal for wash hand basins, and baths, with type 316 useful in situations where additional corrosion resistance is required.

Stainless steel, if reasonably maintained, will not crack or chip and does not provide fissures in house micro-organisms. This gives it substantial advantages in the field of hygiene. In other products, too, substantial banks of data

and development information has been built up to provide an immediate reference service to designers. The building and catering industries are just two of the areas where this information is comprehensive.

In building, designers are urged to use stainless steel sections which are as thin as possible, to take advantage of the combination of properties inherent in the metal, as stainless steel strength increases with work hardening. A corrosion allowance, or extra thickness of metal above that required to provide the necessary strength and thickness, is not normally required.

An increasing number of construction projects are choosing stainless steel for cladding purposes. Here too, a wealth of ability. Even the toughest data and experience is on hand to assist a designer. It is not tackled with a clean cloth and just new buildings which can benefit either. Stainless steel aggressive cleaning, such as has been proven as a suitable replacement for lead on church shrugged off too.

A working party of steel-makers, acting as a result of an EEC directive, have established that stainless steel imparts no odour, taste or colour to food. All these fields have benefited from the work done by steel manufacturers to make their product easier to use, and available to a far wider strata. As more uses are found, so the build-up of information continues. The benefits, to both steelmaker and steel user, can only increase.

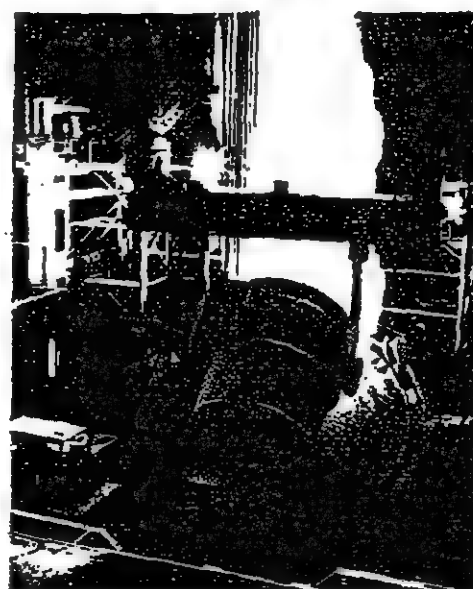
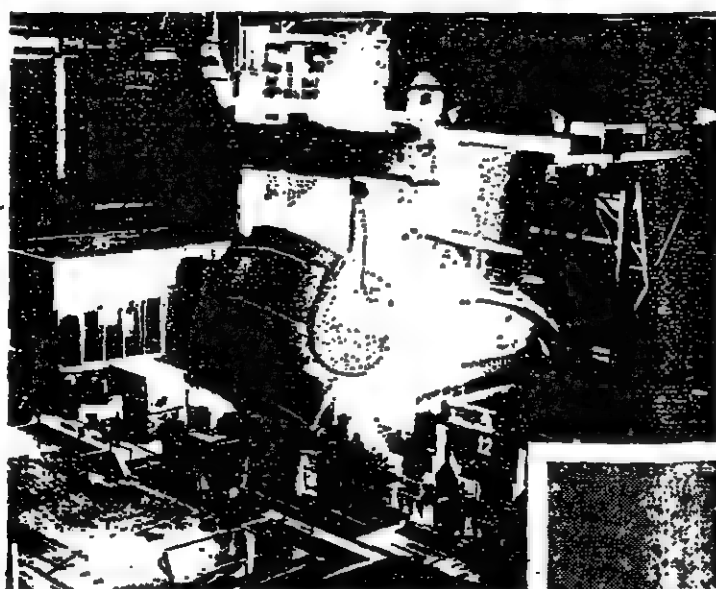
F.W.

## Our contribution to British Steel's outstanding achievement at Tinsley Park:

## The AOD Vessel\*

The Argon-Oxygen AOD process of decarburising molten stainless steel is carried out in the 130 ton vessel involving simultaneous injection of the two gases through side mounted tuyeres. Efficient removal of carbon at low final specification levels is achieved with minimal loss of valuable chromium, combined with improved steel cleanliness.

\* Developed and patented by Union Carbide Corporation Linde Division.



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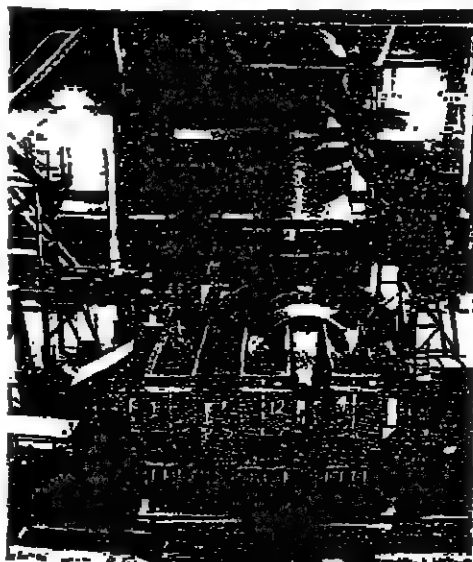
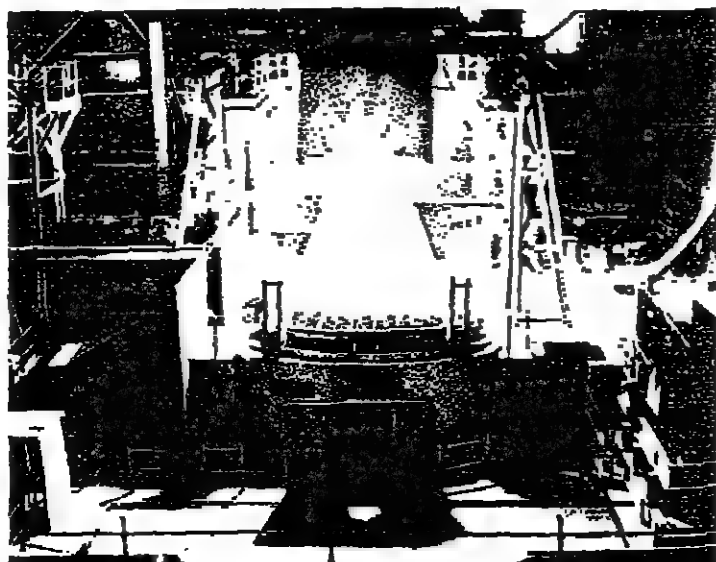
## Salem

The AOD vessel, being fitted into a trunnion ring, can be rotated into the vertical position or to other positions for charging, sampling and tapping, and is achieved by DC electric drive motors through a gear reduction unit. The vessel is removable from the trunnion ring for replacement.

Salem Engineering has installed, or is currently working on, vessels ranging from 17 to 130 tons capacity.

## Salem supplied:

- Three vessels, trunnion ring, mechanical and electrical drive units.
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- Coolant scrap charging machine and removable charge boxes.
- Retractable sampling platform.
- Two vessel drying out and preheating burners.
- Process gas flow piping and automatic control system and operating panels.



The Directors of Salem Engineering take this opportunity of congratulating the Directors and staff of BSC Stainless Limited on the occasion of the opening of the new works.

*G.F. Manser*  
G.F. Manser  
CHAIRMAN & MANAGING DIRECTOR

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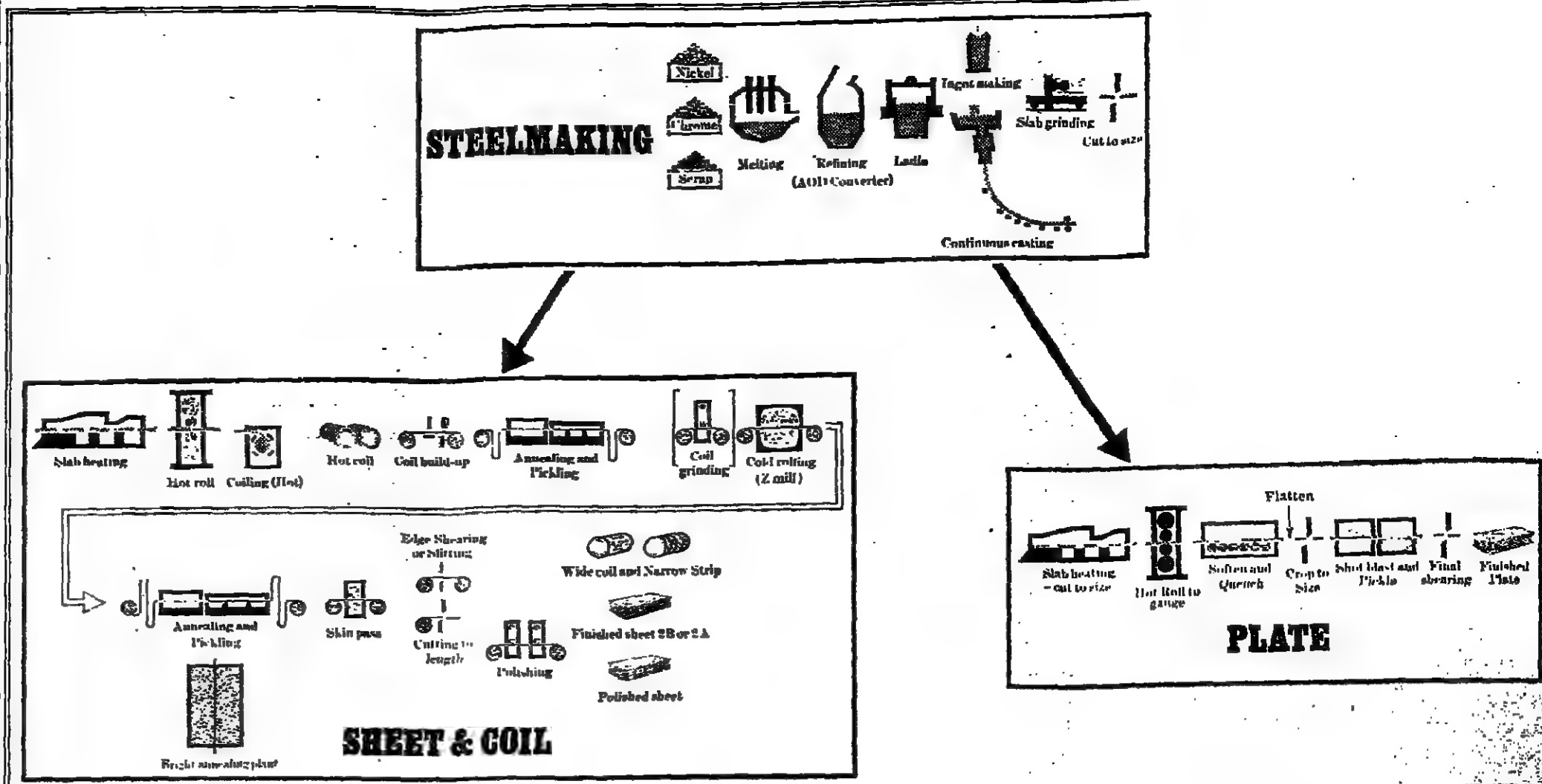
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A Division within British Steel Service Centres Group of the BSC

## STAINLESS STEEL AT SHEPCOTE VI



## A modern melting shop

THE LION'S share of the £130m investment — some £80m in fact — has been spent on the new primary steelmaking facilities at Shepcote, Sheffield.

The whole project there has been code-named SMACC—Stainless Melting and Continuous Casting. It is the biggest and most modern stainless steelmaking facility in Europe and ranks with the biggest currently in use in the U.S.

SMACC can use a widely varied selection of raw materials to feed the stainless steel electric arc furnace. The standard charge will be about 40 per cent stainless steel scrap composed of selected scrap bought in from merchants or collected from recirculating material within the works. But it will be possible to go up to 70 per cent scrap usage if the scrap is available and cheap. The

remainder of the charge will be made up of ores and additives. Up to 100,000 tonnes of scrap will be purchased each year.

The actual charge to the furnace on any particular shift is governed by a computer system called Least Through Cost Mix. Designed to provide the most efficient mix of raw materials independent of the operators it will consider materials prices at that time and transportation costs of scrap and ferro alloys before recommending a "mix" via a visual display unit. The necessary materials will then be selected in skips again on the instructions of the computer. This facility alone is expected to result in substantial savings on cost of the stainless steel made.

The SMACC steelmaking is based on an electric arc furnace used to carry out a straight-forward melting of the chosen raw materials. It will be able to handle a cast of steel of up to 110 tonnes. Meanwhile a computer will be recording the composition of the raw charge to the furnace and the composition of the resulting steel beginning a history for that particular cast of stainless which will accompany it on its 12-week progress through the various stages of the works. While the charge is in, the arc furnace little or no refining takes place. After it has reached the required temperature it is tapped into a ladle and transferred to a second liquid steel-making vessel alongside called an argon/oxygen decarburising (AOD) vessel. The arc furnace cycle is only 2½ hours long for an average 100-tonne melt. The period that the liquid steel is in the AOD vessel depends upon the amount of refining that is needed. The process is constantly being monitored by computer. One of the features of the melting shop is that there is no paperwork. All the operators have been trained to use computer terminal visual display units.

### Furnaces

The plant has been working up since the first steel was made at Christmas and is designed to produce, eventually, 6,000 tonnes of stainless steel a week on 18-shift working.

Previously in Britain stainless steel has been made in small furnaces—mostly in the Sheffield area. The novelty of the Shepcote melting shop is that the principles of large-scale common steel production with all the economies of scale are being applied to the more expensive and difficult stainless product for the first time in Britain.

After melting, the stainless steel can be handled if necessary by being poured into ingot moulds in the conventional fashion. But four-fifths of the output of the melting and AOD vessels is expected to be continuously cast into slabs up to 20 tonnes in weight.

The metal is poured into a mould on a high platform. The mould is cooled by water so that the steel emerges below as a hot, plastic strand. As the strand moves slowly down towards the floor of the plant it is turned through 90 degrees by rollers while the cooling process continues. The works has been laid out in a "T" shape with the continuous casting plant

running along the upright of the T away from the furnaces.

The next stage in the primary steelmaking process is a big bay where the slabs of stainless steel are processed. It is necessary to grind the surface of the slabs to remove impurities occurring during the continuous casting. Three high capacity slab grinding machines have been installed each of which is capable of processing 10 tonnes of steel an hour. Each machine has a 500 hp motor to drive a 3-ft diameter grinding wheel. They are the biggest such machines employed anywhere in the world. Each one wears out its grinding wheel in the course of a single shift.

So that the grinding wheel of each machine can do the maximum amount of work a system of twin handling gear has been arranged. While one slab is being tilted and inspected after grinding another can be passed under the wheel.

### Slabs

The output of the melting shop is handled in three different ways. Most of the steel is continuously cast into slabs as described. A further 12 per cent is cast into slab ingots, and 18 per cent into square ingots. The individually cast ingots go to Stocksbridge, Sheffield, or Tinsley Park Works, Sheffield, for rolling into billets and rounds. Most of the slab ingots are rolled at Tinsley Park while some go to the Lakenby, Teesside, slabbing mill for the production of slabs for specially wide steel band.

The surface ground continuously cast slabs (some 150,000 tonnes a year when full production is reached) are sent to Lakenby for rolling into hot band steel upon one of British Steel's best rolling mills. It would not have been economical to install a special mill for the job at Sheffield. After rolling the steel is then sent back by the same "merry-go-round trains" to Shepcote, Sheffield, to be cold rolled and finished.

In addition some 20,000 tonnes of stainless steel each year will be rolled into wide plate of up to 3-metres width at the BSC Dazell works in Scotland. The melting shop and its associated casting and grinding facilities makes heavy use of computer control and on-line analytical facilities during the steelmaking stages.

Co-ordination of production, the dissemination of manufacturing instructions, and the feedback of processing information is provided by the computer-based production planning and process control system.

Each major operating point in the plant is equipped with a visual display terminal and a keyboard. In addition an automatic data link to the analytical system computer allows steelmaking analysis results to be displayed on the terminals.

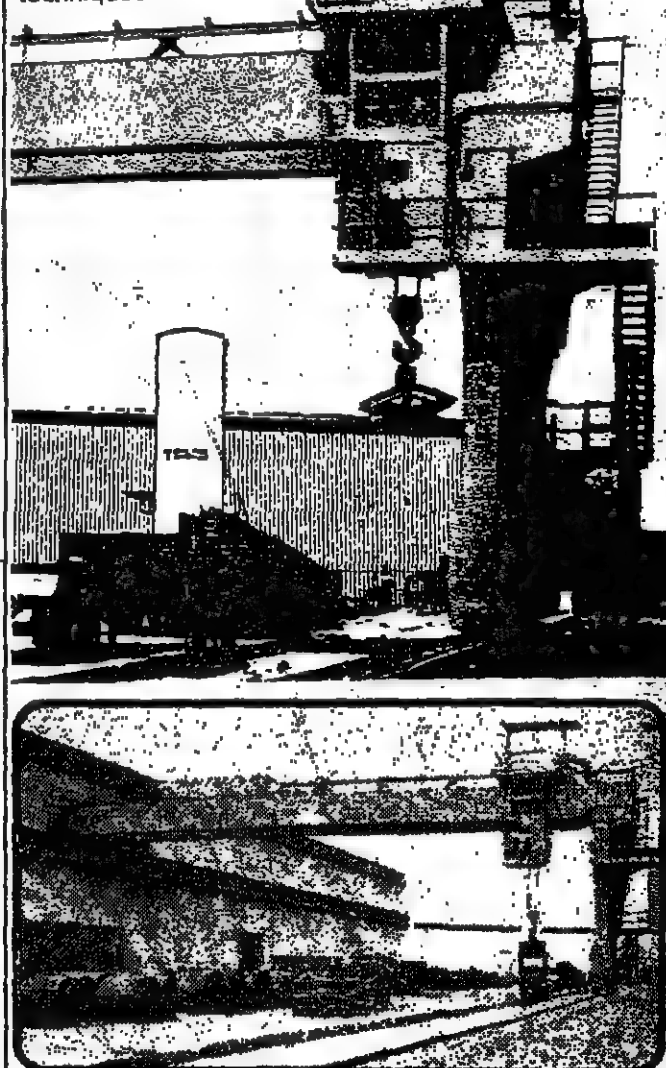
The system has considerable scope for extension into automatic power control in the arc furnace, AOD steelmaking calculations, and calculation of optimum cutting lengths for the continuously cast slabs.

The new stainless steel melting shop is one of the most highly automated installations of its kind ever built.

R.H.

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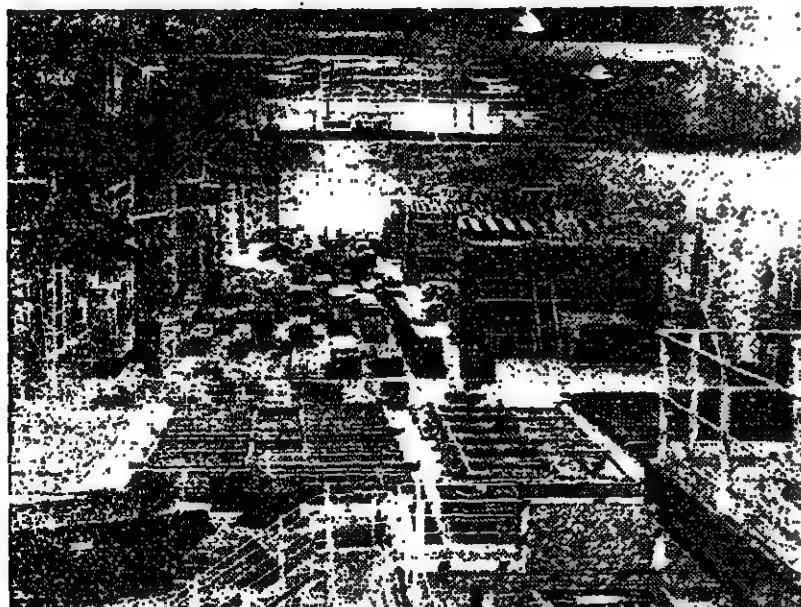


Photo of the new slab conditioning installation at BSC SMACC featuring three of the biggest and most modern slab grinders in the world.



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حکومت النعمان



## STAINLESS STEEL AT SHEPCOTE VII

## Finishing plant

THE £50m investment on what is rather charmingly called "stainless steel enhancement" includes £8m on a plant opened last year for finishing hot rolled plate to a high standard suitable for nuclear and chemical engineering, £20m on civil engineering work, and £22m on rolling mills and other finishing equipment for the various forms of stainless steel product.

The plate finishing facilities are housed in a single building of 300 metres. The progress of the big plates up and down the hall can be followed from an overhead walkway. The plant was commissioned at the end of 1976 and has since been working up while the other Shepcote facilities were being installed and the SMACC project for a new steel source was being built.

Work on the stainless steel plate and coil expansion scheme

(code name SPACE) began in 1975 with the object of providing the capacity to make 50,000 tonnes of plate and more than 150,000 tonnes of cold rolled sheet and coil annually at Shepcote (with the help of the Lakenby rolling). The investment is also enabling BSC to increase its sheet and coil width to customers from 1.25 to 1.5 metres, and plate width from 2 to 3 metres.

After the hot-rolled coil from Lakenby, Teesside, to SPACE it may pass through up to 20 different processes before emerging from the works packed for a home or export order. Radio control is used to manage the unloading from rail wagons and transference inside the building for processing. The hot rolled coil first goes to a coil built-up house where coils are joined together by welding

so that large—25 tonne—coils can be passed through the plant.

## Coils

Four separate lines provide facilities for softening and de-scaling the coils. After initial processing there the coils are cold rolled. One new Sendzimir cold rolling mill was commissioned this year. It is designed for the cold rolling of 25 tonne stainless steel coils. The mill can handle 10 tonnes of an hour of typical coil material. A computer based system provides automatic control of rolling according to pre-programmed rolling schedules. This is an advanced feature which allows automatic slowing-down, and other useful control variations. Up to 300 detailed rolling programmes can be stored in the computer.

All the electrical power quality control, and productivity supply, control systems and services staff. Working parties computer equipment for this were set up early in the project

new mill is housed in a separate three-storey building. The mill itself is controlled from a single elevated and semi-enclosed control pulpit at the front of the mill.

A further Sendzimir mill identical to the one described is scheduled to come into use next January and to commission in July, 1979. In addition to the two new mills there are three older Sendzimir mills, one High Robertson Mill, and one older Robertson mill, which is part of the current development project.

A new building houses a specially designed bright annealing plant which is currently being commissioned. Both the SMACC and the SPACE projects have been engineered by BSC stainless steel project staff in consultation with production maintenance.

With production maintenance.

to devise layouts for the new plant in consultation with operatives. The result is that both works have logical and easily worked lay-outs through which the flow of material can easily be followed.

A number of the Shepcote employees have transferred from the BSC plate finishing plant at the Stockbridge stainless works which was phased out of production. Re-training programmes have been run to coincide with the introduction of each new piece of equipment.

By expanding on an existing stainless steel making site—the old Shepcote Lane rolling mills—to create the new steelmaking and finishing complex BSC believes it has managed to ensure continuity of experience by the workforce together with maximum continuing production during the expansion period.

R.H.

## Many uses in the home

IF YOU look around the average home and start to add up the products in daily use that are dependent, in some part or another, upon stainless steel, the number seems astonishingly high. It is a material which we tend to take for granted, grateful for its practical qualities, but unlikely to get over-excited about. Cookers, toasters, kettles, kitchen gadgets, washing machines, fridges, dishwashers—these are the everyday items which we would miss desperately if we were without them but which do not, on the whole, move us the way perhaps a lovely fabric, or a stunning vase, or a voluptuous sofa might.

On the whole stainless steel is used for its very practical qualities—for its durability, its hygienic qualities, for the fact that it is solid all the way through and therefore does not chip or corrode. It is a high-quality material and one of the great pluses of recent years has been the fact that the great influx of cheaper goods from the Far East has begun to harm its image in many people's minds. As manufacturers look more and more to Europe for the volume that successful manufacture demands, the great hope is that European marketing trends will have an effect on design and quality that can't help but be for the better. On the whole in Britain we tend to be very price conscious and even though most of the imports are of inferior quality they are quite skilfully packaged and the price differential has been enough, particularly in spheres like cutlery, to persuade the public to buy them.

In Britain we have one of the lowest per capita consumptions of stainless steel in the civilised world but British manufacturers have every intention of putting this right in the coming years. One of the most obvious spheres in which to compete is the kitchen. Already stainless steel is used a great deal for split-level cookers, hob tops, doors for refrigerators, but abroad there is now a great trend towards a combined stainless steel unit which consists of a sink and a hob unit top with an area between the two where hot pans can be rested.

## Obvious

All but a tiny proportion of sinks nowadays are made from stainless steel but an obvious extension to the idea is to be seen in the developments found in Europe. Here there is a much greater emphasis on hygiene and in most new per cent) there is a greater separation of hand-washing, of vegetable preparation and general dishwashing and sink facilities. At the very least a new European kitchen should offer a double sink.

Many of the ways in which stainless steel is used are functional but not very noticeable much good. Though often attractive the linings of dishwashers and most outstandingly successful applications of the materials would be if produced entirely both for practical and aesthetic here) they appear to offer reasons. Many people, it has reasonable value for money. Frequent use, equate stainless steel with a clean and clinical look. This can sometimes be a disadvantage (though most people feel that a good architect and designer can incorporate stainless steel into a warm and cosiness by skilful use of colour and other materials elsewhere) but when it comes to washing it is better value in the long machines it has obvious advantages. The drum of the machine and the interior of the dishwasher should take little cleaning and neither corrode nor lose their pristine appearance. Hygiene have a range of units in their Continental range tainly offers new opportunities,

though at the moment the two British models on the market, don't use it. Metal Box have just produced a very attractive, streamlined range of stainless steel storage canisters to match up with their kitchen tools.

Perhaps the most eye-catching use of all, though, is that made by Ringo and Robin Designs, in their very modern, often very beautiful, furniture. Ringo and Robin are in reality Ringo Starr and Robin Cruickshank and they first met at a British Steel exhibition over the stainless steel stand, so they have an affection for the material. They think it is "precise to work with, has a touch of glamour about it, it is striking never boring and makes a wonderful counterpart to other materials." With that as a recommendation, it must surely go far.

Lucia van der Post

## Stainless steel on a plate

These days, it's not enough simply to enjoy a stainless reputation. Take plate, for example. You need sophisticated processing facilities. Reliable service. Realistic prices. Depth of stock.

You'll find all this at GKN Steelstock. For as well as being the best known name in the stainless steel industry, we also own some of the finest processing machinery in Europe.

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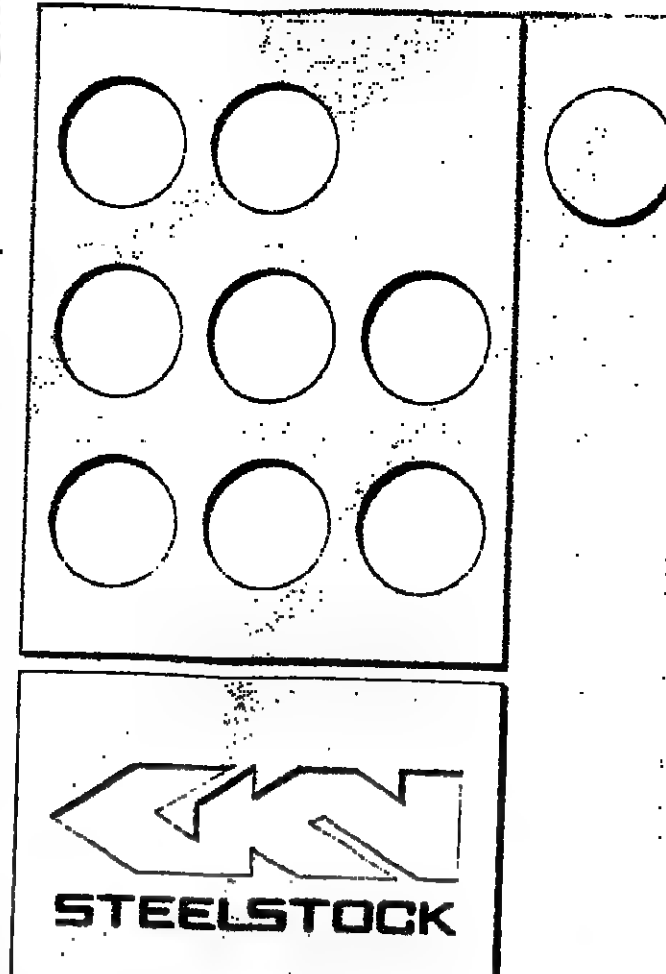
Add to this our decoling and slitting facilities—plus tube and bar cutting—and you're left with only one response.

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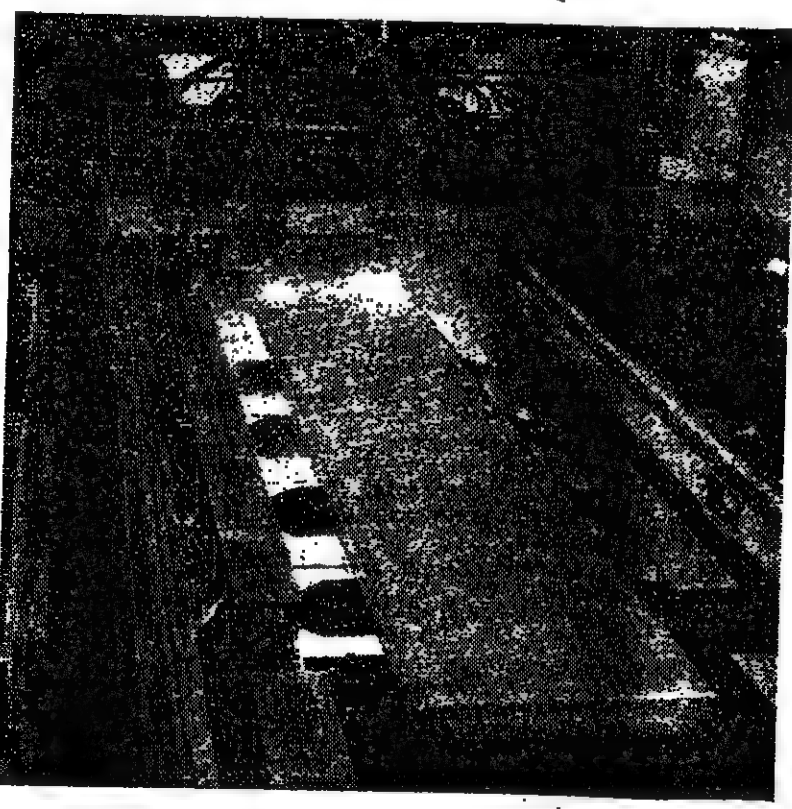
Steel Finishing is our business and we specialize in continuous Immersion Pickling for Strip, Wire and Tube, complete and unique Service to Industry with Plant to extract and scrub fume, to recover and neutralise acidic effluent, to store and process acids and to protect all civil structures from acidic, alkaline and atmospheric corrosion.



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The production of alloy steels is gaining importance increasingly, showing growth rates higher than the average steel production. A specific example is the group of stainless steels which, primarily applied as flat rolled products to user areas such as the chemical industry and households, has become a significant economic indicator for rising industrialization and standard of living.

Continuous casting of stainless steels has proven that it not only affords important advantages from a cost point of view but is also able to satisfy users with respect to their high requirements on product quality.

Thus it is not surprising that in CONCAST too, stainless steel casting—particularly in slabs—is of great importance. Specialists in this field are assigned to our Customer Service Department to consult with steelworks producing these grades in addition to their commercial product line as well as those whose continuous casting machines are used exclusively for stainless steel.



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## Crown House Engineering Limited Sheffield are responsible for the design and installation of all electrical services in Shepcote 2 '78.



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One of the ZR 21B-63 Sendzimir Mills supplied by Loewy Robertson.

## A few words from Loewy Robertson about BSC Shepcote 2

# COIL BUILD-UP SOFTEN & DESCALE COLD ROLL SKIN PASS GRIND

Loewy Robertson have supplied the Tail Preparation Line, the Coil Build-up Line, the Softening and Descaling Line, two identical ZR 21B-63 Sendzimir Reversing Cold Rolling Mills (the largest of their kind in the world) and the 2-high Reversing Skin Pass Mill (the latest in a successful series). In addition, we have co-ordinated the design, manufacture, installation and commissioning of all equipment associated with the Softening and Descaling Line, under a separate management contract, and are supplying the No. 4 Grinding Line which will be operational early next year.

That makes us a major contractor for this multi-million pound stainless steel investment programme. Thank you for asking us, BSC Stainless.



The Softening and Descaling Line engineered and installed by Loewy Robertson.



## Davy-Loewy Ltd

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Every time Bronx complete a project the experience gained is invested in the next. This line, at B.S.C. Shepcote, is the product of a very successful computerised Flying Shear line installed eighteen months ago at OUKUMPU OY, Finland. Through continual research and development Bronx produced this combination of coil inspection and cut-to-length line. Comprising uncoiler, edge trim, recoiler, twin precision levellers, flying die shear and vacuum stacker and the result was an

excellent line for handling stainless strip, aluminium or any material with a sensitive surface.

Guaranteed accuracy better than  $\pm 0.8\text{mm}$  on cut length. First and last sheets within tolerance. Tolerance not affected by acceleration/deceleration. Cut length setting changed in seconds.

Bronx design, manufacture and install an extensive range of process lines for both ferrous and non-ferrous industries.

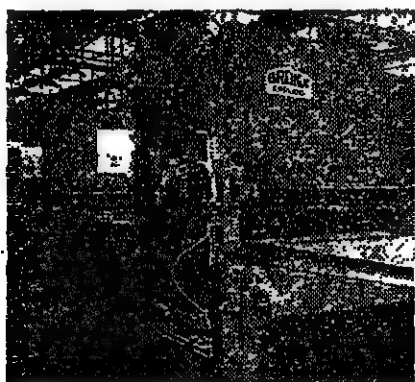
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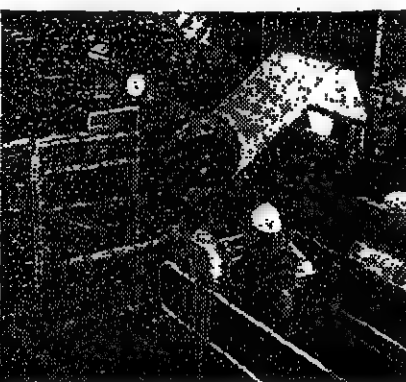
The Bronx Engineering Company Limited, Lymington, Hampshire, England DY9 6BS. Telephone Lymington (02462) 4141. Telex 33626. Cable Bronx Eng Lymington.



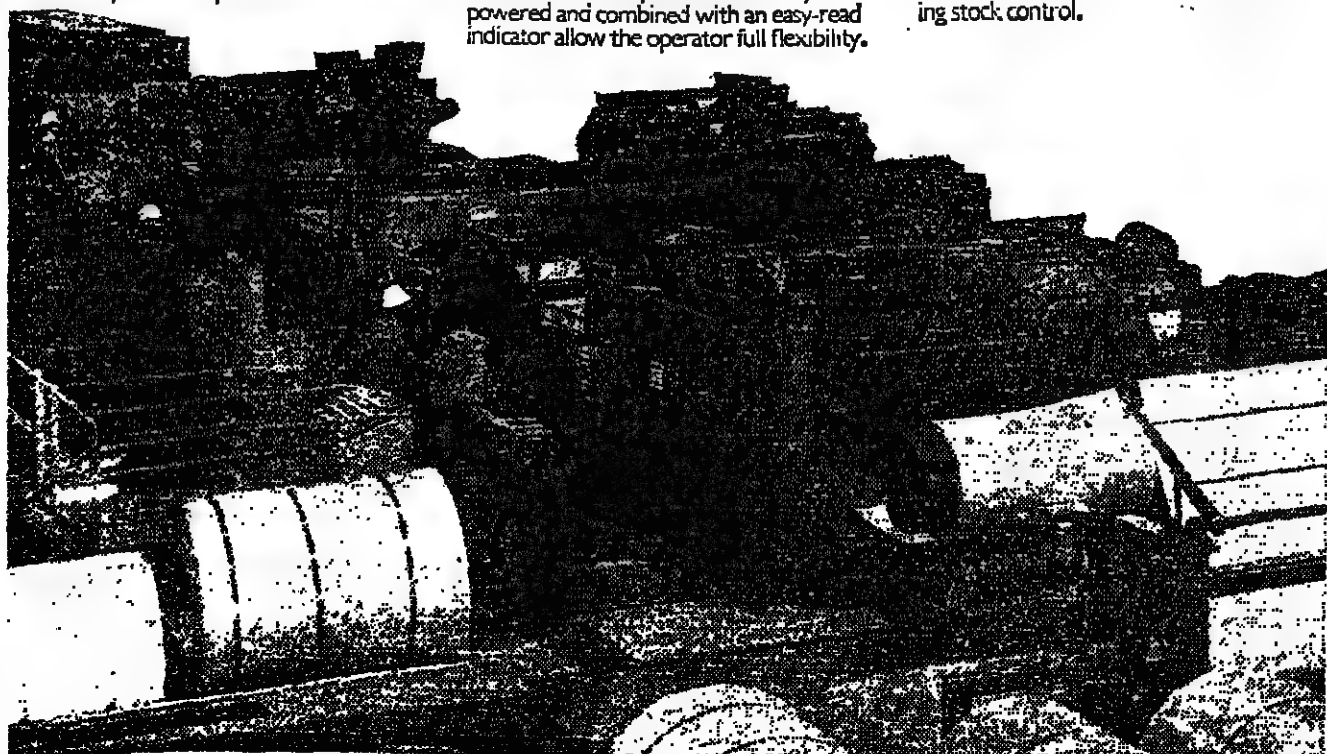
Vacuum belt stacker for carefully handling the finished cut sheets. The only way to ensure that the sensitive surface materials remain scratch free. Stacker unit with 3 piling stations. Stacking directly into boxes with paper inter-leaving — no further inspection required.



Six high precision levellers of the type shown with multi range adjustment such as: Top Roll bank Tilt — both in line and transverse, Top Roll bank Lift, Convex/concave adjustment of top roll bank, individual adjustment of bottom support roll banks. All of the above adjustments are fully powered and combined with an easy-read indicator allow the operator full flexibility.



Inspection of strip at decelerator allowing automatic sheet classification. Classification system computerised giving 19 different operational modes of stacker. Automatic scrap reject. Up to 22% reduction of scrap utilising classification. Automatic paper inter-leaving facility. Built-in facility for monitoring control.



## STAINLESS STEEL AT SHEPCOTE VIII

# The independent producers

WITH THE opening of the British Steel Corporation's new stainless steel development in Sheffield, the paths of the two steel sectors in the city — private and publicly owned — have diverged further once again.

At a cost of £130m the BSC is making a bid for a major share of the world market for stainless steel flat products through investment in modern, highly-efficient, and low-cost per tonne plant — a philosophy which also lies behind other BSC investment decisions in Sheffield, including its recent announcement of an £85m re-equipment of its razor blade steel manufacturing facilities.

In the private sector, the 11 years since nationalisation of the British steel industry in 1967 has seen a different emphasis, with the independent producers seeking their place in the sun by increased concentration on much more specialised markets where added value is higher.

To a very large extent the Corporation and the private steelmakers have now learnt to live side by side with each other, even though Corporation policies — as for example a few years ago in the purchase of scrap — can from time to time cause friction.

### Overlapping

The overlapping which existed on nationalisation has, however, very largely disappeared, firstly as a result of a series of tidying up operations and more recently as a result of deliberate moves away from BSC areas of activity by the private sector, which has concentrated its steel-making efforts on stainless steel bar, tool and high speed steel.

The Shepcote Lane plant, where much of the Corporation's stainless investment has been concentrated, was in fact transferred to the BSC from First Vickers, now part of the Johnson, Firth Brown group, shortly after nationalisation, with the BSC's alloy forgings section at River Don reverting to the private sector in return. The BSC's remaining interests in tool steel at Openshaw were acquired some years ago by the Sheffield group Edgar Allen, and the Corporation also handed over to the private sector some of its wire interests.

Some areas still exist where the BSC and the private sector are in competition, such as the production of low alloy steel, of which Dunford and Elliott, part of Lorrho, remains a substantial producer. The pattern very largely, however, is of two complementary sectors, each to some extent dependent on the other.

The path along the private sector has travelled to reach this position as a supplier of mainly specialist products, began with a series of mergers in the early 1970s leading to the creation of a number of bigger and stronger groupings. The motive in several cases was a desire to prevent possible further encroachment by the BSC into the private sector, but it also represented a response, too, to the need for larger units both to generate the resources for re-equipping with modern specialist plant, and to make the best use of it.

As a result of a series of transactions, two major groups, Johnson, Firth Brown and Dunford and Elliott (incorporating the former Brown Bayley company), emerged in the early 1970s, together with other smaller but still substantial groups, like Edgar Allen, Balfour. Apart from Lorrho, other non-Sheffield groups which now control steelmaking in the city include International Nickel, which acquired Daniel Doncaster, the high alloy producer.

Recent years have seen fewer major mergers of this kind, but the pressures on companies to continue the process of rationalisation have, if anything, intensified, because of the continued world steel recession and the associated problem of cheap imports.

With special steels producers around the world facing similar problems, the UK market has been used to offload supplies at prices sometimes as much as 40 per cent below those considered economic by UK producers. The main imports pressure has been coming from West Germany but low cost supplies have also been coming from other European countries and the Far East. Other new developing country producers have also emerged over recent years.

In some areas the industry has been operating at only 50 per cent capacity, and import penetration in the worst-hit sectors has been as high as 60 per cent. Yet at the same time UK access to one of its most important markets, the U.S., has been limited by restrictions, introduced in response to pressures from American producers, on imports of stainless, tool and high speed steels. In addition,

the industry has also had to cope with the steep rises in the cost of some of the exotic raw materials used to produce sophisticated alloy steels.

The moves which the industry has been forced to make to survive have inevitably included substantial manpower reductions. The total labour force has gone down over the past two-three years by around 5,000 to the present 8,000, with the reduction split more or less equally between redundancies and natural wastage.

At the same time companies have pressed ahead with investment aimed at increasing the efficiency of their operations. Among the biggest projects have been the introduction of two plants of massive new automatic GFM forging machines. The first has been installed by Edgar Allen, Balfour at its Manchester works at a cost of £4m, including ancillary equipment. The machine enables the company to produce a wide variety of rounds, squares and flats to much closer tolerances than were previously possible, opening up new product areas. A similar but bigger machine costing £11-£12m is being installed by Johnson, Firth Brown for commissioning next year at its Firth Brown works.

Improvements at the steel-making end have also been undertaken by a number of the Sheffield groups recently to ensure a higher quality steel for the more specialist markets being served. Osborn, recently acquired by the Aurora, and an important producer of stainless steel bar has put in Argon Oxygen Decarbonising equipment at its Bradford works. The process, which has also been installed as part of the BSC's new stainless development, involves blowing oxygen through the molten steel, thereby producing a cleaner and higher quality steel.

Sanderson Kayser, the tool and high speed steel producer, is similarly working towards meeting demand for higher qualities of steel with the introduction of a second Electro Slag remelting plant at its Sheffield works, and at Neepsend, another tool and high speed steel producer, a melting shop development including a new electric arc furnace, is currently underway. Further ahead, several

companies are now looking at completely new methods of making the very expensive tool and high speed steels, using powder technology.

Many of the Sheffield groups have also been seeking to counter the strong imports pressure on their markets by moves to consume more steel internally in downstream product areas, in particular tools.

Thus, Neepsend, which has long occupied a specialist position as a manufacturer of tungsten carbide drill bits, has been seeking over recent years to build on its well-established Cintride brand name. A range of products for the do-it-yourself market has been developed, including long-life sanders and saws, and much of the company's recent investment and profit have been in the tool area. Sanderson Kayser is again planning to expand in tools, demand for which has remained surprisingly buoyant during the recession.

The sector has also come to realise that much more attention needs to be paid to servicing customers if the efforts of importers, several of whom maintained well-stocked warehouses in the UK, are to be matched.

Edgar Allen, Balfour, for example, has put all the warehouses, inherited as a result of the mergers which created the group together at Birmingham and established a three way computer link for stocking and ordering between the warehouse and the two main factories at Sheffield and Manchester. Sanderson Kayser has similarly embarked on a policy of developing its own warehouses in Britain and overseas, and stocking them so as to be able to meet a wide variety of customer requirements quickly.

The sector, which has traditionally had strong links with the old Commonwealth, including in many cases, extensive manufacturing operations, such as Osborn's South African subsidiaries, have also begun to develop markets in Europe. In some cases direct links have been formed with big European steel groups for the supply of Sheffield steel, while in others the emphasis is on building up sales of finished products, and in particular, tools. New ways of exploiting the large North American market have also been

sought. Neepsend has recently acquired a Canadian company which is strong in semi-finished steel products.

There has also been some further regrouping within the industry, though most of the individual companies now claim that scope for further major mergers is now limited. Dunford and Elliott was taken over by Lorrho after an unwelcome approach from Johnson, Firth Brown. JFB has itself taken under its wing British Rollmakers Corporation at Crewe, bringing together its own forged steel roll capacity with BRC's cast roll facilities to create a single group able to meet most steel mill demands.

### Control

In a share swap JFB also exchanged its stake in Osborn for shares in Aurora, which has since acquired full control of Osborn. An engineering group, Aurora has grown rapidly over recent years and was already in special steels through the acquisition of two small specialist producers last year. Its plans for Osborn are not yet clear, but Aurora could now be an important catalyst for further change in Sheffield.

The main change which all the producers are awaiting, however, is an improvement in demand which will lift the pressure of imports and enable higher returns to be made. The industry is also hoping that when demand does pick up internationally it will be accompanied by an improvement in the performance of British industries it supplies. The BSC is a big purchaser of equipment from the private sector which supplies it, for example, with steel rolls and cutting equipment. The motor industry's tool rooms are also a major market, along with the process plant industry and aerospace.

Largely as a result of the recession, however, Sheffield's independent steel sector has already taken a number of steps which have reduced its dependence on steel as such. When the upturn does come, many of the companies in the industry will be responding with a range of steel and engineering products.

Rhys David

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Continuous Casting Plant	Distington Engineering
Slab Grinding Machines	Centro Maskin, Sweden

#### Stainless Coil and Sheet Plant:—

Consulting Engineers	Bylander Waddell Associates
Quantity Surveyors	Turner and Townsend
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Over 5,000 tonnes of stainless steel stock at Walkersteel Stainless provides continued support for British Steel.

Walkersteel Stainless, Hall Street, Blackburn, Lancashire. Telephone: Blackburn (0254) 55161 (100 lines). Telex: 63168. Also at Aldridge, Enfield/Slough/Sheffield.











# Howden Group earnings trebled at 15.3p

TAXABLE PROFIT of Howden Group, Glasgow-based engineering concern, increased from £4,945,555 to a record £14,900,847 for the year to April 30, 1978, and with a sound order book and liquidity position, Sir Norman Elliott, chairman, anticipates further satisfactory results for the current year.

At the half-way stage profit was little changed at £1,560 (£1,549), and directors anticipated that the full-year's profits would be in line with last year.

Earnings per 25p share are stated to be up from 5p to 15.3p, reflecting in the main the significant increase in earnings anticipated in the chairman's statement for 1977-78 and the elimination of minorities in Howden Parsons in the second half.

The final dividend, absorbing £4,843,389 (£4,813,312), is raised from 2.73p to 2.75p, net, lifting the total from 3.66p to 4.08p, totalling £4,316 (£4,375,739).

**Closure costs**  
Profits of the overseas companies expressed in sterling would have been about £400,000 higher but for the appreciation of the pound over the year, Sir Norman says.

There was an extraordinary dividend for the period of £137,601, covering the final closure costs on reorganisation of Howden Holma Refrigeration Group, compared with £68,011 last year, and the balance available came out as £2,247,077 (£2,159,991).

Net borrowing at year-end, after payment of the cash consideration of £5.5m for the minority shareholding in Howden Parsons was £13.5m (£13.2m).

As over by Howden Group to acquire the 26 per cent minority interest in Howden Group South Africa for a cash consideration of £1,137,760 (£701,000) at the meeting of minority holders on July 4 last and the meeting was adjourned until July 25 while revision of the terms is being contemplated.

Reviewing the year's operations Sir Norman says that James Howden and Co. has made a satisfactory contribution with profits rising from major contract commissions of setting the effects of increased manufacturing activity, orders received continued the emphasis on export business.

At the half-way stage profit was little changed at £1,560 (£1,549), and directors anticipated that the full-year's profits would be in line with last year.

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Aircrow Howden, after a very good year and a further increase in profits continues to expand its activities throughout world markets for fans and specialised air movement products.

The company's aggressive policy of increasing world sales of its products resulted in an appreciable increase in export business, the chairman adds.

Results of Carter Howden reflected the downturn in the medium fan market, but there are now signs of a revival in demand.

Howden Compressors improved its operational performance with increased turnover and a useful profit contribution, and with the order book running at a satisfactory level it is anticipated that the current year will show a further improvement.

Compressor sets for marine applications were a feature in the orders taken during the year.

Howden Engineering had a less satisfactory year due to the low level of business in the marine and offshore industries, but Blaise Medical Equipment had a good year with overseas business continuing to be a feature.

Howden Supertherm performed well but results of Andrew Fraser and Co. continue to reflect the downturn in the British market for hydraulic equipment. More encouraging signs were in evidence towards year end.

The Howden Holma Refrigeration Group has completed the sale of its operating and losses have been reduced. The long term contracts involving the erection of cold stores in the Middle East which have been the main factor in the adverse results of this group have now been completed and the group in the future will concentrate on its traditional business in the supply of industrial refrigeration systems and plant.

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Montréal, had another good year, the emphasis being on aircraft ground support equipment and Howden Group Australia continued to progress, Sir Norman states.

James Howden and Co. Australia reported another satisfactory year and was successful in obtaining a major contract for fans and preheaters for Earing power station, New South Wales.

Godfrey Engineering (Australia) made a useful profit contribution but did not obtain the expected profit level. The company has continued to strengthen its position in restricted markets, he adds.

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EXPECTATIONS FOR the results of United Gas Industries in the year ended April 2, 1978, have been fully realised and profits before tax and extraordinary items show a rise from £1,44m to £2,04m on sales of £55.81m against £36.80m.

Profits in the first half had increased from £507,000 to £766,000 and the directors anticipated that the year's results should be an improvement on the previous year.

As forecast at the time of last September's rights issue, the dividend total is 3.5p net per 25p share with the recommendation of a 2.6p final payment. The previous year's total was 3.2p.

Earnings per share before extraordinary items are given at 9.2p (8.1p) and 7.9p (6.4p) fully diluted. Assets per share are 39p against 60p.

Meters, control equipment and bellows contributed £1.3m (£1.14m) to profit before tax and interest, £1.01m (£0.83m) and other, £0.14m (£0.17m). Other overseas subsidiaries contributed £1.06m (£0.83m) to meters, control equipment etc. profits.

Included in the year's profit is £11,000 earned by Pinter Bannag Gasftechnik GmbH (PBG), a subsidiary of which company was announced on May 18. A loss similar in amount to the PBG profit and largely associated with the sale of which company was announced on May 18. A loss similar in amount to the PBG profit and largely associated with the sale of which company was announced on May 18.

The decision to sell PBG was taken because of its uncertain future and also the group's currency exposure and the consequent liabilities associated with the company, the directors say. At the date of sale group guarantees on behalf of PBG totalled £2.8m.

The current year's figures show that the company is confident are non-recurring. The general appliance companies performed well and gross margins are starting to reach levels that existed prior to the profit downturn of 1973-74.

Overall performance was helped by the very cool summer and by the current year's figures show that the company is confident are non-recurring. The general appliance companies performed well and gross margins are starting to reach levels that existed prior to the profit downturn of 1973-74.

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to £1,00m is dealt with as an extraordinary item which also includes a credit of equal amount transferred from reserves.

The group's currency borrowings have been almost completely repaid and this together with the proceeds of the rights issue has left the group in a stronger financial position, the directors add.

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## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## NORTH AMERICAN NEWS

## Colgate growth rate slackens

By Our Own Correspondent

NEW YORK, July 13. COLGATE-PALMOLIVE, the large detergents and toiletries manufacturer, today reported earnings slowing in the rate of earnings growth in the second quarter of 1978.

Second quarter net income increased from \$45.2m to \$47.7m on a sales rise from \$956m to \$1.04bn. Earnings per share increased from 56 cents to 60 cents.

For the first half of the year, net income increased from \$77.5m in 1977 to \$85m (\$0.97 a share to \$1.04 a share). Sales revenues increased from \$1.9bn to \$2.1bn.

Commenting on the figures, Mr. David Foster, the chairman and chief executive, said that the rate of earnings growth was slower than for sales, reflecting current heavy spending for new product introductions and higher interest expenses.

The company's best-known products include Ajax cleaner, Colgate and Ultra-Brite toothpaste and Helena Rubinstein cosmetics.

**Solid progress at General Electric**

NEW YORK, July 13. Continued strength throughout the group gave General Electric Company higher second quarter net earnings of \$318.4m compared with \$271.9m or \$1.40 a share, against \$1.20. Revenue rose from \$4.49bn to \$5.07bn.

Earnings for the half year were up from \$487.5m to \$567.2m, or \$2.40 against \$2.15, on revenue of \$9.8bn compared with \$8.63bn.

Second quarter earnings continued to show good gains, particularly by lighting, housewares and audio products.

Industrial products and components earnings were also well up from the 1977 quarter on higher revenues from all operations, with businesses serving construction markets and transportation systems particularly strong.

Agencies

## U.S. QUARTERLIES

## ABBOTT LABORATORIES

	1978	1977
Second Quarter		
Revenue	\$483.0m	\$464.9m
Net profits	\$65.2m	\$68.0m
Six Months		
Revenue	\$935.8m	\$888.4m
Net profits	\$131.1m	\$133.2m
Net per share	1.14	0.89

## BANK OF NY

	1978	1977
Second Quarter		
Revenue	\$2.2m	\$2.7m
Net profits	\$1.83	\$1.25
Six Months		
Revenue	\$17.7m	\$14.7m
Net profits	\$2.85	\$2.45

## DIAMOND INTNL.

	1978	1977
Second Quarter		
Revenue	\$255.0m	\$227.0m
Net profits	\$12.4m	\$11.9m
Net per share	1.06	1.02
Six Months		
Revenue	\$486.0m	\$432.0m
Net profits	\$20.3m	\$21.0m
Net per share	1.75	1.80

## Major commercial banks boost quarterly profits

By STEWART FLEMING

MAJOR U.S. commercial banks are reporting strong earnings gains in the second quarter, reflecting big increases in interest-bearing assets. But there are questions on the extent to which the leading New York banks will match rises being reported from regional financial centres.

Following the recent announcement by Mellon National Bank of Pittsburgh of a 20 per cent gain in second quarter earnings, Crocker National, one of the top five Californian banks, announced a gain of 35 per cent in its second quarter. But the New York-based J. P. Morgan, the fifth largest U.S. bank, disclosed that its second quarter earnings increased by just 10.4 per cent.

J. P. Morgan, which is the holding company for Morgan Guaranty Trust, had second quarter income before securities transactions of \$55.4m, an increase of 10.4 per cent over the \$50.2m earned in the same period of 1977.

For the first half, its earnings are up 15.3 per cent to \$2.53 a share compared with \$2.45 a share in the first half of 1977. Net income in the period was \$114.9m against \$99.7m.

Marine Midland Bank, the company in which Hongkong and Shanghai Bank is taking a 51 per cent stake, today reported a 57 per cent rise in operating earnings before securities transactions.

Marine Midland, which is a leading New York bank and the 13th largest bank in the country,

Second quarter net income of Chase Manhattan Corporation before securities transactions rose from \$28.6m to \$47.1m, or from 89 cents a share to \$1.31, agencies report. This lifted net income for the six months from \$55.9m or \$1.74 a share to \$85.1m or \$2.51

said that the main reason for the improvement in the second quarter result was a \$17.3m rise in net interest income, which increased from \$65m in the second quarter of 1977 to \$78.5m. Income before securities transactions and an extraordinary tax credit in the second quarter of 1978 was \$5.5m or 44 cents a share, compared with \$5.4m or \$3.44.

28 cents a share in the same period of last year.

For the first six months, income before securities transactions rose 33 per cent to \$9.5m or 76 cents a share, compared with \$7.1m or 57 cents a share.

Compared with the second quarter of last year, however, there was a slight increase in the provision for loan losses, up from \$12.1m to \$13m. The reserve for loan losses was down from 1.36 to 1.22 per cent of total loans.

The company said that total loans outstanding averaged \$636m higher, which accounted substantially for the increase in interest income.

Chemical NY disclosed net operating earnings for the second quarter of \$1.84 a share against \$1.77.

Total net before securities transactions totalled \$29.2m against \$25.1m previously.

Net after securities transactions stood at \$25.5m or \$1.59 against \$25.6m or \$1.76.

For six months net before securities transactions reached \$56.8m or \$3.59 a share against \$50.1m or \$3.44. Net after securities transactions of \$51m or \$3.19 compared with \$50m or \$3.44.

## Earnings rise at Burroughs

NEW YORK, July 13.

BURROUGHS CORPORATION announced net earnings for the second quarter of \$1.41 a share compared with \$1.23 last time. Total net increased to \$57.4m from \$49.5m. Sales of \$593.7m compared with \$514.5m previously.

Net earnings for the first half totalled \$90.9m or \$2.23 against \$77.9m or \$1.93. Revenue of \$1.1bn compared with \$957.4m.

Mr. Paul S. Mirabito, the chairman said that incoming orders for the second quarter "continue to show good growth, increasing by 17 per cent over the second quarter of 1977."

Worldwide backlog also continued to increase over the beginning of the year, reaching record levels at the end of the six-month period.

AP-DJ

## Tycos files suit

Tycos Laboratories has filed suit against Culler-Hammer alleging that its directors conspired with Koppers Company in a series of stock transactions designed to benefit the directors instead of the shareholders. AP-DJ reports from Milwaukee.

RCA ahead

RCA, the leading U.S. communications and electronics group, posted its sixth successive quarterly earnings gain today a rise of 12 per cent to \$73.2m from \$70.1m in the second quarter of 1977, our financial staff writes. Earnings per share rose from 92 cents to \$1.02 and sales for the quarter increased 13 per cent to \$1.61bn from \$1.43bn in the same quarter a year ago. First-half earnings are also up 13 per cent at \$133.5m, or \$1.74 a share, compared with \$118.5m, or \$1.55 a share. Profits of its Hertz car rental business rose by 26 per cent.

A.T. & T. services

The Federal Communications Commission (FCC) is to seek to expand the types of services that American Telephone and Telegraph can offer its customers, AP-DJ reports from Washington. The Commission tentatively voted support for staff proposals that would among other things, start discussions with the Justice Department to change a consent decree that hinders AT&T's attempt to offer services that may involve data processing. The Commission also voted support for a staff proposal to change the way the Commission determines whether equipment is communications equipment and needs a tariff filed or is data processing equipment which does not need a tariff.

## EUROBONDS

## D-Mark sector weakens

FINANCIAL TIMES REPORTER

THE D-MARK sector took another sharp turn for the worse yesterday as the Bundesbank came into the domestic capital market to buy more bonds than in any day since 1975.

In the dollar sector there was some late afternoon uneasiness in the wake of the statement by chairman Miller of the Federal Reserve indicating a further tightening of U.S. monetary policy. But basically dealers in London seemed to be waiting for an overnight lead from the U.S. bond market, following publication of the latest weekly U.S. money supply figures.

According to some dealers, floating rate notes (FRNs) continued a shade easier, though there are also records of substantial buying orders coming into the market and some price mark-ups.

The yen bond market continues to weaken. Two borrowers, Spain and Electricite de France, are reported to have postponed their plans to issue bonds in September. The reason quoted for the postponement was that recent weakness of the market would have led to higher borrowing costs. The price of the Bunds consecutive record year," Mr. J. Paul Lyle, the chairman and chief executive said.

## Stronger margins help profits at Teledyne

BY OUR OWN CORRESPONDENT

NEW YORK, July 13.

TELEDYNE, A leading conglomerate with interests ranging from aviation to insurance, and one of Wall Street's hottest stocks this year, today announced that second quarter earnings had more than doubled.

Teledyne's shares have risen from \$63 to a peak of \$120 this year and closed yesterday at \$99 as investors and speculators ran the price up in anticipation of surging earnings. Those prospects were confirmed when the company disclosed that second quarter net income had increased

from \$27.6m in the second quarter of 1977 to \$65.5m. Sales revenues rose to \$621m.

For the first half, net income is 59 per cent higher at \$118.4 compared with \$74.2 in 1977 (\$9.04 a share against \$5.62 a share).

Sales revenue totalled \$1.2bn against \$1.1bn.

Improving profits margins in the company's industrial divisions, which produce gasoline and diesel engines, machinery and machine tools, have been one factor behind the quarter net income had increased

Insurance profits are also improving. Analysts point out however that second quarter comparisons look particularly favourable because the company took a substantial loss in its insurance divisions in the second quarter of last year in order to strengthen reserves.

For the year, therefore, some analysts are suggesting that earnings per share might rise to around \$17 compared with last year's \$14.42, especially if economic growth slows down and consumer spending weakens.

Quebec launches \$500m Eurocurrency loan

BY MARY CAMPBELL

QUEBEC PROVINCE has launched a \$500m 10-year Eurocurrency loan, mainly to prepay a \$300m loan arranged just over a year ago. The remainder of the new loan will go into the Province's consolidated fund for general purposes.

The terms of the loan involve a 2 per cent margin over inter-bank rates for the first two years of the 10-year final maturity and a 1 per cent margin for the last eight years. There is a grace period of five-and-a-half years before repayments start.

The mandate to arrange the loan has been awarded to a group of six banks, headed by Orion. The other five are all Canadian.

By comparison with last year's loan, in which major U.S. banks figured prominently, there is only one U.S. bank, Chemical International, in the 22-strong management group this time.

The four French banks in the group include the Credit Agricole, believed to be making its first appearance in the management group for a major Eurocurrency loan.

The main terms of the current loan are considerably more favourable for the borrower than the loan it is to be used to prepay. Last year's loan was for a final maturity of seven years (with 21 years' grace) with the margin ranging from 11 per cent for the first two years to 11 per cent for the last five years.

The 51-year grace period on the new loan is a further illustration of the extent to which international liquidity is causing banks to soften the terms of loans other than margins.

Another recent notable example of this was the \$150m loan signed yesterday for the Brazilian company, CESP, which carries grace periods of five and six years on tranches with final maturities of 10 and 12 years.

Increase at Mead

Mead Corporation, the furniture, paper and metal products group, announced net earnings for the second quarter of \$1.26 a share against \$1.18, total net of \$31.3m compared with \$28m. Sales of \$310.5m, increased from \$432.3m. First half net of \$52.1m, or \$2.24, compared with \$47.6m, or \$1.97. Sales of \$1.1bn increased from \$868.6m.

Reynolds Metals

REYNOLDS METALS announced net earnings for the second quarter of \$1.50, reports AP-DJ. Total net increased to \$44.2m from \$33.7m. The net total includes foreign currency translation loss of \$2.8m or 15 cents against a gain of \$400,000 or 2 cents a year ago. Sales of \$714.7m compare with \$612.7m.

Sperry Rand forecast

SPERRY RAND CORPORATION, the computer and business machine company, expects record sales and profits in fiscal 1979 with net income in the range of \$620 to \$630 a share, company executives said, reports AP-DJ from New York.

In the fiscal year ended last March 31, Sperry earned \$176.6m or \$4.80 a share on a fully-diluted basis, on revenue of \$3.7bn.

The way the first quarter figures are coming in it looks like we will have our seventh consecutive record year," Mr. J. Paul Lyle, the chairman and chief executive said.

This announcement appears as a matter of record only.

This announcement appears as a matter of record only



## Occidental Boliviana, Inc.

A wholly owned subsidiary of

Occidental Petroleum Corporation

\$35,000,000

Production Loan

Managed by

Continental Illinois Limited

Provided by

Continental Illinois National Bank  
—and Trust Company of Chicago

Bank of Montreal (California) Toronto Dominion Bank

Bank of Scotland Den norske Creditbank

Nordfinanz—Bank Zürich

Agent

CONTINENTAL BANK  
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

July, 1978

## TATE &amp; LYLE, LIMITED

£30,000,000

10 year syndicated loan facility

provided by

Lloyds Bank International Limited

Bank of America National Trust &amp; Savings Association

Barclays Merchant Bank Limited

Chase Manhattan Bank N.A.

National Westminster Bank Group

The Royal Bank of Canada

managed by

LLOYDS BANK INTERNATIONAL LIMITED

A Member of the Lloyds Bank Group





## Notice of Mandatory Redemption

### The Rural and Industries Bank of Western Australia ("the Bank")

#### A\$30,000,000 6½ per cent. Guaranteed AS/DM Bonds due 1987

1. NOTICE IS HEREBY GIVEN pursuant to the provisions of the Trust Deed dated 10th August 1972 constituting the above Bonds, that A\$30,000,000 nominal of the Bonds is due for mandatory redemption on 15th August 1978. Pursuant to Clause 5 of the Trust Deed, the Bonds are to be redeemed on the basis of the following schedule:

2. The serial numbers of the Bonds due for redemption are as follows:

11	1512	2566	4182	5822	6887	8495	9863	11267	12586	14003	15488	16816	18465	20022	21489	22862	24261	25181	27226	28773
12	1513	2567	4183	5823	6888	8496	9864	11268	12587	14004	15489	16817	18466	20023	21490	22863	24262	25182	27227	28774
13	1514	2568	4184	5824	6889	8497	9865	11269	12588	14005	15490	16818	18467	20024	21491	22864	24263	25183	27228	28775
14	1515	2569	4185	5825	6890	8498	9866	11270	12589	14006	15491	16819	18468	20025	21492	22865	24264	25184	27229	28776
15	1516	2570	4186	5826	6891	8499	9867	11271	12590	14007	15492	16820	18469	20026	21493	22866	24265	25185	27230	28777
16	1517	2571	4187	5827	6892	8500	9868	11272	12591	14008	15493	16821	18470	20027	21494	22867	24266	25186	27231	28778
17	1518	2572	4188	5828	6893	8501	9869	11273	12592	14009	15494	16822	18471	20028	21495	22868	24267	25187	27232	28779
18	1519	2573	4189	5829	6894	8502	9870	11274	12593	14010	15495	16823	18472	20029	21496	22869	24268	25188	27233	28780
19	1520	2574	4190	5830	6895	8503	9871	11275	12594	14011	15496	16824	18473	20030	21497	22870	24269	25189	27234	28781
20	1521	2575	4191	5831	6896	8504	9872	11276	12595	14012	15497	16825	18474	20031	21498	22871	24270	25190	27235	28782
21	1522	2576	4192	5832	6897	8505	9873	11277	12596	14013	15498	16826	18475	20032	21499	22872	24271	25191	27236	28783
22	1523	2577	4193	5833	6898	8506	9874	11278	12597	14014	15499	16827	18476	20033	21500	22873	24272	25192	27237	28784
23	1524	2578	4194	5834	6899	8507	9875	11279	12598	14015	15500	16828	18477	20034	21501	22874	24273	25193	27238	28785
24	1525	2579	4195	5835	6900	8508	9876	11280	12599	14016	15501	16829	18478	20035	21502	22875	24274	25194	27239	28786
25	1526	2580	4196	5836	6901	8509	9877	11281	12600	14017	15502	16830	18479	20036	21503	22876	24275	25195	27240	28787
26	1527	2581	4197	5837	6902	8510	9878	11282	12601	14018	15503	16831	18480	20037	21504	22877	24276	25196	27241	28788
27	1528	2582	4198	5838	6903	8511	9879	11283	12602	14019	15504	16832	18481	20038	21505	22878	24277	25197	27242	28789
28	1529	2583	4199	5839	6904	8512	9880	11284	12603	14020	15505	16833	18482	20039	21506	22879	24278	25198	27243	28790
29	1530	2584	4200	5840	6905	8513	9881	11285	12604	14021	15506	16834	18483	20040	21507	22880	24279	25199	27244	28791
30	1531	2585	4201	5841	6906	8514	9882	11286	12605	14022	15507	16835	18484	20041	21508	22881	24280	25200	27245	28792
31	1532	2586	4202	5842	6907	8515	9883	11287	12606	14023	15508	16836	18485	20042	21509	22882	24281	25201	27246	28793
32	1533	2587	4203	5843	6908	8516	9884	11288	12607	14024	15509	16837	18486	20043	21510	22883	24282	25202	27247	28794
33	1534	2588	4204	5844	6909	8517	9885	11289	12608	14025	15510	16838	18487	20044	21511	22884	24283	25203	27248	28795
34	1535	2589	4205	5845	6910	8518	9886	11290	12609	14026	15511	16839	18488	20045	21512	22885	24284	25204	27249	28796
35	1536	2590	4206	5846	6911	8519	9887	11291	12610	14027	15512	16840	18489	20046	21513	22886	24285	25205	27250	28797
36	1537	2591	4207	5847	6912	8520	9888	11292	12611	14028	15513	16841	18490	20047	21514	22887	24286	25206	27251	28798
37	1538	2592	4208	5848	6913	8521	9889	11293	12612	14029	15514	16842	18491	20048	21515	22888	24287	25207	27252	28799
38	1539	2593	4209	5849	6914	8522	9890	11294	12613	14030	15515	16843	18492	20049	21516	22889	24288	25208	27253	28800
39	1540	2594	4210	5850	6915	8523	9891	11295	12614	14031	15516	16844	18493	20050	21517	22890	24289	25209	27254	28801
40	1541	2595	4211	5851	6916	8524	9892	11296	12615	14032	15517	16845	18494	20051	21518	22891	24290	25210	27255	28802
41	1542	2596	4212	5852	6917	8525	9893	11297	12616	14033	15518	16846	18495	20052	21519	22892	24291	25211	27256	28803
42	1543	2597	4213	5853	6918	8526	9894	11298	12617	14034	15519	16847	18496	20053	21520	22893	24292	25212	27257	28804
43	1544	2598	4214	5854	6919	8527	9895	11299	12618	14035	15520	16848	18497	20054	21521	22894	24293	25213	27258	28805
44	1545	2599	4215	5855	6920	8528	9896	11300	12619	14036	15521	16849	18498	20055	21522	22895	24294	25214	27259	28806
45	1546	2600	4216	5856	6921	8529	9897	11301	12620	14037	15522	16850	18499	20056	21523	22896	24295	25215	27260	28807
46	1547	2601	4217	5857	6922	8530	9898	11302	12621	14038	15523	16851	18500	20057	21524	22897	24296	25216	27261	28808
47	1548	2602	4218	5858	6923	8531	9899	11303	12622	14039	15524	16852	18501	20058	21525	22898	24297	25217	27262	28809
48	1549	2603	4219	5859	6924	8532	9900	11304	12623	14040	15525	16853	18502	20059	21526	22899	24298	25218	27263	28810
49	1550	2604	4220	5860	6925	8533	9901	11305	12624	14041	15526	16854	18503	20060	21527	22900	24299	25219	27264	28811
50	1551	2605	4221	5861	6926	8534	9902	11306	12625	14042	15527	16855	18504	20061	21528	22901	24300	25220	27265	28812
51	1552	2606	4222	5862	6927	8535	9903	11307	12626	14043	15528	16856	18505	20062	21529	22902	24301	25221	27266	28813
52	1553	2607	4223	5863	6928	8536	9904	11308	12627	14044	15529	16857	18506	20063	21530	22903	24302	25222	27267	28814
53	1554	2608	4224	5864	6929	8537	9905	11309	12628	14045	15530	16858	18507	20064	21531	22904	24303	25223	27268	28815
54	1555	2609	4225	5865	6930	8538	9906	11310	12629	14046	15531	16859	18508	20065	21532	22905	24304	25224	27269	28816
55	1556	2610	4226	5866	6931	8539	9907	11311	12630	14047	15532	16860	18509	20066	21533	22906	24305	25225	27270	28817
56	1557	2611	4227	5867	6932	8540	9908	11312	12631	14048	15533	16861	18510	20067	21534	22907	24306	25226	27271	28818
57	1558	2612	4228	5868	6933	8541	9909	11313	12632	14049	15534	16862	18511	20068	21535	22908	24307	25227	27272	28819
58	1559	2613	4229	5869	6934	8542	9910	11314	12633	14050	15535	16863	18512	20069	21536	22909	24308	25228	27273	28820
59	1560	2614	4230	5870	6935	8543	9911	11315	12634	14051	15536	16864	18513	20070	21537	22910	24309	25229	27274	28821
60	1561	2615	4231	5871	6936	8544	9912	11316	12635	14052	15537	16865	18514	20071	21538	22911	24310	25230	27275	28822
61	1562	2616	4232	5872	6937	8545	9913	11317	12636	14053	15538	16866	18515	20072	21539	22912	24311	25231	27276	28823
62	1563	2617	4233	5873	6938	8546	9914	11318	12637	14054	15539	16867	18516	20073	21540	22913	24312	25232	27277	28824
63	1564	2618	4234	5874	6939	8547	9915	11319	12638	14055	15540	16868	18517	20074	21541	22914	24313	25233	27278	28825
64	1565	2619	4235	5875	6940	8548	9916	11320	12639	14056	15541	16869	18518	20075	21542	22915	24314	25234	27279	28826
65	1566	2620	4236	5876	6941	8549	9917	11321												











## Senior changes at Aveling Barford

SP Industries (formerly Leyland Special Products) has announced the following changes in its SP Construction Equipment Division, which is now to be known as AVELING BARFORD HOLDINGS. Mr. David Beck has been appointed managing director of Aveling Barford, the Gainsborough, Lincoln, plant within AB Holdings. Mr. Beck was previously financial controller and treasurer of Leyland South Africa (Pty) Ltd. Mr. Anthony Jordan has been appointed managing director of Aveling Marshall, the Gainsborough, Lincoln, plant within AB Holdings. Mr. Jordan was previously financial controller and treasurer of Leyland South Africa (Pty) Ltd. Mr. R. L. Mortimer, who has been appointed managing director of Aveling Marshall, the Gainsborough, Lincoln, plant within AB Holdings. Mr. Mortimer was previously financial controller and treasurer of Leyland South Africa (Pty) Ltd. Mr. R. L. Mortimer, who has been appointed managing director of Aveling Marshall, the Gainsborough, Lincoln, plant within AB Holdings. Mr. Mortimer was previously financial controller and treasurer of Leyland South Africa (Pty) Ltd.

Mr. David R. Brooks has been appointed chairman of WGI in succession to Mr. P. E. Stammers, who is retiring. Mr. Brooks will continue as managing director of the group.

Mr. Brian Long has become managing director of HONEYWELL INFORMATION SYSTEMS in succession to Mr. Russell G. Henderson, who has been named vice-president and manager of Honeywell's marketing and services information systems division at Waltham, Mass.

Mr. Reginald Nye, who has been appointed finance director of Reed Building Products, one of the five main UK/European divisions of REED INTERNATIONAL, was previously financial director of Reed Paper and Board and Reed Paper Division. This appointment follows the death of former finance director, Mr. David MacNaughton.

Mr. R. T. Vyner, at present a director of Allied Suppliers, will join SAINSBURY'S on July 17 and will be appointed a director to assume board responsibilities in due course for the grocery division.

Mr. Terence Seale has been made a director of SACCOBE AND SPEED and managing director of Sacobe and Speed Retail, following the appointment of Mr. Geoffrey Greenway, the former managing director, as senior retail trade director of Courage (Western). Mr. Seale joins a company from the Debenham Group, where he was director of store operations.

Mr. John E. M. Gardner has been appointed controller of European operations for DATA GENERAL CORPORATION. Mr. Gardner, who will be based at its European headquarters in Paris, joins Data General from Rolle River, where he was financial director.

THE SCOTTISH DEVELOPMENT AGENCY has appointed a former British Ambassador to Malawi as its first permanent

A BLEND of statutory and non-statutory arrangements is likely to remain the best way of regulating the activities of the City, the Bank of England has argued in its latest batch of evidence to the Wilson Committee on the financial institutions.

In a related series of five papers, the Bank covers the various aspects of its role in the supervision of financial institutions. The first paper sets out a general description of regulation in the City and the position of the Bank.

It concludes that the mix between statutory and other forms of regulation would change over time, and concedes that in certain areas it would favour the introduction of statutory arrangements.

These areas would include, for example, rules to cover insider trading in securities, and the Bank also believes that its present supervisory methods relating to deposit-taking institutions need to be supported by the proposed legislation.

However, "there are many aspects of market regulation where non-statutory control has proved more appropriate and flexible than statutory control and is likely to remain so." The Bank argues that systems which relied on law and specific regulation "may lead to any conduct being regarded as permissible if it is not covered by the legal requirements."

In contrast, systems which relied on self-regulation, and in some cases discretionary powers, allowed more attention to be concentrated on "the intentions, both ethical and practical, which underlie the provisions."

Moreover, the Bank adds, non-statutory processes were often quicker to introduce or modify, and speedier in execution.

"Non-statutory elements form a vital part of an effective regulatory regime for commercial markets, where the extremes of rigidity inherent in a statutory framework must be avoided and in which the revision of the letter of the law never in practice keeps pace with those determined to flout its spirit."

The Bank emphasises that "all methods of non-statutory regulation will remain acceptable only if they are seen to be effective in the protection of the public interest. Self-regulation will only remain so if it continues to be administered in a manner which is generally believed to be justified by those to whom it is applied."

The Bank's view is that non-statutory regulation had been a "major factor in sustaining the probity and efficiency of the operations of the City of London."

The second type arose from the recognition by a group of individuals or institutions of the need for regulation in the common interest, often entrusted to an outside authority.

Much of the non-statutory regulation of the securities market was of this form. "In both cases, the system can be described as self-regulation, the first intrinsically so, the second by common consent."

The Bank cites several occasions when it did intervene with the London Metal Exchange and on the "soft" (non-metal) commodity markets.

Intervention on the "soft" commodity markets is relatively easy in that the Bank has with the International Commodities Clearing House, which adjusts the size of deposits required to regulate the level of trading activity.

In the case of the London Metal Exchange, the Bank points out that a clearing house system would be inappropriate for handling dealings in physical metals.

But it has persuaded the metal exchange to introduce a monitoring system to provide full details of forward commitments of the "ring dealing" members and it is hoped this system will be fully operational later this year.

The new arrangements, introduced in 1974, enable the Bank to collect far more information about commodity price trends than can be passed on to Whitehall, if required.

But the Bank admits it does not have the capacity to carry its inquiries beyond the UK.

It claims that to attempt to do so would undermine the international use of the markets, which it estimated contributed between £200m and £250m, to Britain's invisible earnings in 1976/78.

The Bank says its aim is to encourage the markets to regulate themselves.

But it has an ultimate sanction of control in the withdrawal of exchange control consents, without which the markets could not operate properly on an international scale.

# Best way to regulate the City

## Contrast

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## Vital elements will be kept

IMPORTANT AND valuable elements of the present system of banking supervision would be retained within the framework of the planned legislation on the licensing of deposit-taking institutions, the Bank says in its comments to the Wilson Committee.

The special qualities of the system are that it is "progressive, participative and personal."

The proposed legislative framework would recognise a progressive element among deposit-taking institutions "while doing away with the confusions in the public mind which had arisen from the former multiplicity of recognitions."

It would continue to encourage the participation of the banking community in the development of appropriate supervisory practices and to pay due regard to the market's judgments of those participating in it.

It would remain a personal system both by "the maintenance of the style of personal dialogue between companies and the Bank and by the Bank continuing to have regard to the individual structure and circumstances of each deposit-taking company."

Dr. Bernard Rimmer has been appointed managing director of S. W. CLARKE (CONTRACTORS), part of the Clarke Group. He was formerly managing director of Bestobell Group's insulating and fireproofing subsidiary company.

Mr. Bernard Fox, a director of Rest Assured, has been elected president of the NATIONAL BEDDING FEDERATION.

Mr. James R. Fleming has been appointed commodities manager of BANQUE NATIONALE DE PARIS.

Mr. Jim Bradbury has been made financial director of UBM HILLS WINDOWS. Prior to this appointment he was with the company as a consultant.

rather than seeking a standard level of conformity through detailed ratio controls."

The Bank believes, the evidence concludes, "that such a supervisory system within a statutory framework is appropriate to present circumstances and will maintain the spirit of trust and co-operation that has been built up over many years."

In its paper, the Bank describes the background to the legislative proposals. It pointed out that at present there were no specific legal requirements governing the establishment of a deposit-taking business in the UK.

However, a number of specific statutes required the establishment of lists of companies recognised as banks for particular purposes.

These lists were in some cases initially set up by the Government departments concerned. But "in due course concern over the ambiguities of status which resulted and over the potentially conflicting criteria being adopted led to the Bank being consulted in the administration of all the various statutory recognitions."

Nevertheless, "in no case did the Bank describe the substantial extension of its own activities, including the creation of a separate supervisory division with a staff now numbering about 70, compared with the 15 people in the discount office which previously handled supervisory matters."

The Bank also describes the international background to recent developments. London's position as an international centre and the presence of many foreign banks had led the Bank to develop "a special interest in monitoring international market developments" and to play a leading role in developing international co-operation among central banks.

The Bank notes an "increasing internationalisation" of the securities markets in the City.

In particular, there is the Euro-bond market, a large over-the-counter market, chiefly for professionals, regulated by the Association of International Bond Dealers.

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## Sterling brokers talks advanced

DISCUSSIONS ARE far advanced towards forming a sterling brokers association, the Bank discloses in its paper covering supervision of the money and foreign exchange markets.

The Bank reports to the Wilson Committee that after a working party report, which revealed certain shortcomings in market practice, it was decided that a code of practice to govern transactions in the market should be drafted and an association formed on the lines of the similar association in the foreign exchange market.

"Discussions to these ends, which have been proceeding under the aegis of the Bank, are very far advanced."

The Bank says in its evidence that it exercises a supervisory role in the market not only because their good health and operational efficiency are important to the soundness of the UK financial system as a whole and in particular to the continued standing of London as a major international centre, but also because of their importance as the field in which the Bank's policy objectives are effected."

The Bank has, for the most part, encouraged the participants in the various markets to organise their own institutional framework, within which soundings may be taken and matters of day-to-day management disposed of, the better to assist the Bank in monitoring and controlling developments."

The Bank's aim is "to procure the efficiency and integrity of the markets to a degree which will maintain and enhance the international reputation and standing of the London market."

It draws attention to several aspects of integrity in the operation of financial markets.

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## Supervision

The Bank's paper identifies two types of non-statutory regulation of financial institutions.

The first consisted of the exercise by the Bank of its traditional powers as the central bank in controlling and supervising generally the banking system and money markets.

Though exercised informally, the Bank's recommendations and requests were treated by the market as effectively mandatory.

The second type arose from the recognition by a group of individuals or institutions of the need for regulation in the common interest, often entrusted to an outside authority.

Much of the non-statutory regulation of the securities market was of this form. "In both cases, the system can be described as self-regulation, the first intrinsically so, the second by common consent."

The Bank cites several occasions when it did intervene with the London Metal Exchange and on the "soft" (non-metal) commodity markets.

Intervention on the "soft" commodity markets is relatively easy in that the Bank has with the International Commodities Clearing House, which adjusts the size of deposits required to regulate the level of trading activity.

In the case of the London Metal Exchange, the Bank points out that a clearing house system would be inappropriate for handling dealings in physical metals.

But it has persuaded the metal exchange to introduce a monitoring system to provide full details of forward commitments of the "ring dealing" members and it is hoped this system will be fully operational later this year.

The new arrangements, introduced in 1974, enable the Bank to collect far more information about commodity price trends than can be passed on to Whitehall, if required.

But the Bank admits it does not have the capacity to carry its inquiries beyond the UK.

It claims that to attempt to do so would undermine the international use of the markets, which it estimated contributed between £200m and £250m, to Britain's invisible earnings in 1976/78.

The Bank says its aim is to encourage the markets to regulate themselves.

But it has an ultimate sanction of control in the withdrawal of exchange control consents, without which the markets could not operate properly on an international scale.

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## Commodity exchange 'can claim status of traders' market'

BANK OF England surveys confirm that the London commodity exchanges are fully justified in claiming that they are traders' markets, and not highly speculative, according to the evidence presented to the Wilson Committee.

The Bank points out that it has been keeping a much closer watch on the London commodity markets in recent years.

This increased surveillance of the markets started during the boom in commodity prices in the early 1970s when the Bank was worried about the safety of

contracts and the honouring of bargains to markets with which they are known to be associated.

There was also concern about the possibility of undesirable speculation, which reached a head in 1974.

As a result, in 1974 the agreements between the Bank and the commodity market associations, originally devised for exchange control purposes, were considerably extended so that much more information could be gathered on market activities.

These 1974 Memoranda of Understandings enable the Bank to identify trends in speculative activity and where necessary, take steps against the building up of dangerous situations.

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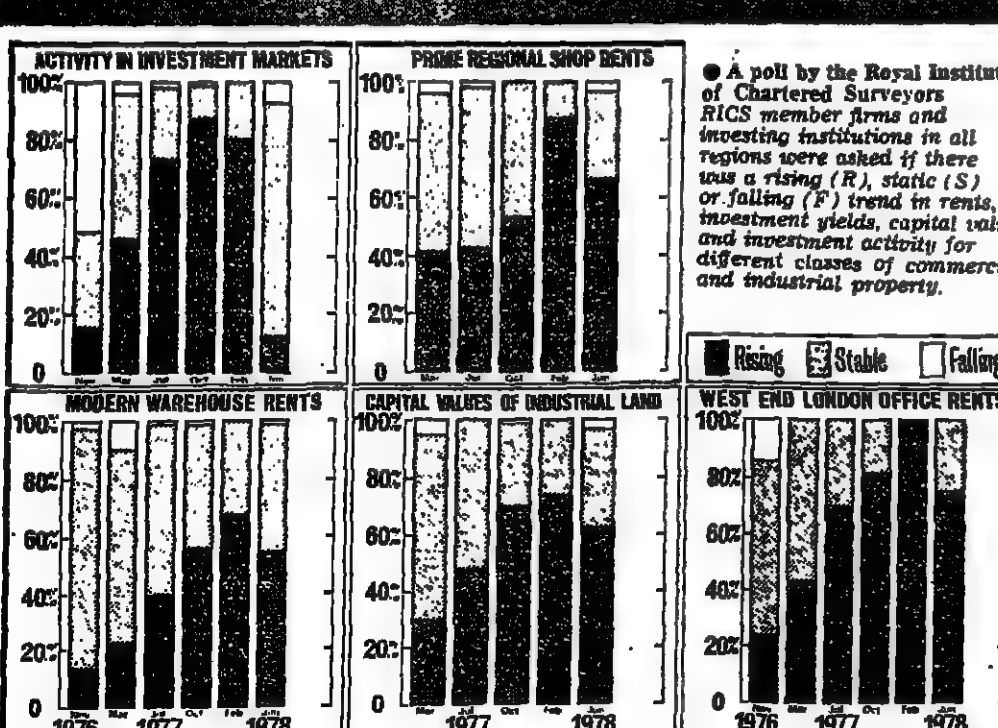
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## Property Market Indicators



## Investment market cools

HIGHER INTEREST rates have clearly halted the explosive growth in commercial investment property prices seen earlier this year. The cooling of the market has been paralleled by a move from growth to stability in the pattern of rents nationally. But in both rental and investment terms the strength of the property markets in Central London and the South East stand in increasingly sharp contrast to the rest of the country.

These points emerge from the eighth quarterly poll of business indicators in the property market carried out by the Royal Institution of Chartered Surveyors in conjunction with the Financial Times.

One of the most striking changes



## Indices

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## FARMING AND RAW MATERIALS

## UK cattle herd hit by new disease

By Christopher Parkes

SOME OF the finest and most costly dairy cattle in Britain have been found to be infected with an infectious form of blood cancer previously unknown in this country.

The Government has taken legal powers to contain the disease while the Ministry of Agriculture vets assess the extent of the infection.

The disease, enzootic bovine leukaemia, appears to have come to Britain with Holstein cattle imported from Canada. These animals, prized for their large size and heavy milk yields, cost at least £2,000 each. One leading breeder has recently paid as much as £10,000 for a breeding cow.

Infection has been confirmed in four herds in Angus, Somerset and Gloucestershire.

The presence of the disease was first suspected last month, when blood tests on 635 cattle showed some evidence of infection. Almost half of these imported Holsteins or their calves.

## Options

Sampling is to continue in herds containing the 5,500-odd breeding cattle of various strains imported into Britain over the past 10 years. When the extent of the disease spread has been assessed, the Government will decide how best to deal with it.

In the meantime, farmers with infected cattle will be given the option of killing them in return for full compensation from the Treasury or keeping them in isolation until a long-term policy has been worked out.

Ministry vets stress that there is no evidence that milk or meat from animals suffering from the disease offer any threat to human health.

## OECD looks at commodity price stability

PARIS, July 13.

A SPECIAL Organisation for Economic Co-operation and Development working party is studying the problems of price stability in cereals, animal feed, dairy products and meat. It was reported here.

The study should be concluded later this year, or early next, with publication of the group's conclusions on ways of giving international commodity prices more stability.

The working party is a joint group made up of the OECD trade and agriculture committees.

## Cocoa surplus estimate raised

By JOHN EDWARDS, COMMODITIES EDITOR

COCOA MERCHANT, GILL and Duffus, has raised its estimate of the surplus for the 1977-78 season ending in September from 59,000 to 116,000 tonnes.

In its latest market report, dated yesterday, Gill and Duffus said that world cocoa production during 1977-78 was now estimated at 1,474,000 tonnes, while the seasonal crop had been lowered to 1,343,000 tonnes.

The rise in production was mainly due to the forecast increase in the Brazilian crop to 280,000 tonnes or 4,037,000 bags (60 kilos) against last season's crop of 3,000,000 bags.

The report pointed out, though, that the disappointing rate of arrivals of the Brazilian Temporo crop had contributed to a slightly unsettled state of the market where the fundamental supply-demand situation was little changed.

On the demand side Gill and Duffus forecast world grindings falling to 1,363,000 tonnes in 1977 and 1,519,000 tonnes in 1978. Grindings in the U.S. which earlier this week reported an 18 per cent decline during the second quarter, were put at 173,000 tonnes for the whole year, compared with 284,000 tonnes in 1977.

The report said that the main

## Wheat pact talks fail again

By Our Commodities Staff

THE WORLD'S principal wheat-producing and importing nations yesterday gave up their latest attempt to settle their differences over the form and content of a new International Wheat Agreement.

Officials said after discussions ended in Geneva that the talks would reopen in London in October.

Before the talks started, participants said an end to the deadlock was in sight and it was widely believed that a settlement would be reached by the end of the week.

The talks were a prelude to the Multilateral Trade Negotiations, now under way.

## Sugar prices hit new low

By Our Commodities Staff

THE LONDON daily price for raw sugar hit a new low for the year yesterday, when it was cut 12 pence to 58p.

Prices in the futures market fell sharply in early trading in anticipation of offers of cheap sugar at Moroccan and Tunisian buying tenders.

Prices recovered later in the day, though, possibly helped by word from Brussels that the EEC sugar crop might not produce such an overwhelming surplus for export this season.

Reporting on the sugar management committee's deliberations, Reuters said that the amount of beet sugar available for export in the Community in the new season might be only 3.5m tonnes compared with 3.8m tonnes in the campaign just ending.

## Another boost for copper from U.S.

By Our Commodities Editor

COPPER PRICES rose for the fifth day in succession on the London Metal Exchange yesterday, encouraged by news that Asarco had raised its U.S. domestic copper price from 68 to 70 cents.

The market shrugged off reports that the big stockpile of Dares-Salaam had been almost cleared and that thousands of tonnes were being moved into the docks daily from Zambia.

A Reuters report from Dar es Salaam said that the stockpile of copper had been almost cleared and that thousands of tonnes were being moved into the docks daily from Zambia.

Lead and zinc values followed the upward trend in copper.

In New York it was reported by the American Bureau of Metal Statistics that stocks held by smelters dropped to an estimated 72,000 short tons at the end of June, compared with nearly 90,000 tons at the end of May.

Lead stocks held by refiners were said to be slightly higher at 33,036 short tons at the end of June.

## Less Danish grain likely

STOCKHOLM, July 13.

DENMARK'S 1978 cereal crop should fall to between 6.6 and 6.8m tonnes from last year's 7.5m, Mr. Albert Beckenkamp, director of the Danish Cereals and Foodstuff Company, said.

He said the cereal growing area this year totalled about 1.8m hectares against last year's 1.82m, with barley plantings at about 1.45m versus 1.53m.

## UK SEED TRADE

## Time for strong nerves

By JOHN CHERRINGTON, AGRICULTURAL CORRESPONDENT

FOR MANY years Britain was among the few countries in Europe where plant breeders could derive no substantial and permanent benefit from the seeds and plants they had bred.

It was commonplace that as soon as a new strain was put on the market, other growers would get hold of some of the seed, multiply it and sell it under their own, or the breeder's name, paying no form of levy to the originator.

This lack of incentive for breeders meant that the UK seed trade was largely concerned with importing various strains from European sources, where breeders had enjoyed rights for many years.

The home breeding effort was limited to a few brave individual companies and certain government establishments, notably the Plant Breeding Institute in Cambridge and the Welsh Plant Breeding Institute at Aberystwyth.

During and after the war, the National Institute of Agricultural Botany at Cambridge came to be recognised as an impartial body for evaluating farm seeds by means of trials in Cambridge and other centres around the country.

## Finance

The introduction of legislation providing for plant breeding rights in the UK about 12 years ago has stimulated a considerable British effort, but it is mainly concentrated in the oilseed and cereal sectors.

Plant Breeders, now a subsidiary of Shell.

The reasons for this are simply

between the commercial price of grain and the cost of buying seed is rising because of the plant breeders' rights and other causes. The bigger the margin the bigger the incentive to avoid it will be.

The seed houses secure their supplies by contracting farmers to grow first and second generation seed. The contract is usually on an acreage basis. In some cases there is a limit on the tonnage delivered, plus an option on the balance, and in other cases a straight option. The premiums paid are in general a percentage over the market price of commercial grain.

There is now considerable friction between seed growers and the trade over the terms of these contracts. Growers are saying that the premiums are in fact a disguised tax on seed. The trade says that the dangers of overproduction are so great in the event of a good harvest that they have to safeguard their position.

It is generally believed that the poor 1977 harvest which caused almost 100 per cent rejection of seed crops in southern England, saved many contracting companies from having huge unsold stocks on their hands. There was also much less sowing of farm-saved seed.

As an example, last year it had to buy about 30 tonnes of seed. With a good harvest this year it shall not have to buy 10 tonnes. It is a very tight squeeze. It is believed that at least 40 per cent of cereal seed sown in Britain is the farmer's own seed, and there is no doubt quite a substantial element of farm-to-farm seed.

The margin

There is another source of confusion in Britain. The National Institute of Agricultural Botany is certifying more than 40 varieties of winter wheat and 60 of spring barley of which about one-third are on what is called the recommended list, based on the results of their trials. The differences in yields between some of them are so slight that the varieties are to be discarded and a great deal is left to farmer preference.

This is illustrated by the fact that in wheat, for example, more than 90 per cent of seed certified is for three varieties.

New varieties are being placed on the market almost annually with the help of considerable publicity, supported by very little convincing evidence of increased benefit to the farmer. Indeed, there is now a demand that the introduction of new varieties should be slowed down, rather as the diamond producers are asked to restrict supplies to actual demand.

The farm seeds industry, however, in spite of the plant breeders' rights and the EEC regulation, still appears to be highly speculative. Its operators need strong nerves, deep pockets, and a great deal of luck.

## Protest at 'rape' of fisheries

By Christopher Parkes

THE FISHERIES policy of the Common Market has resulted in the "legalised rape" of fish stocks in waters around Britain, the Charles Mackenzie, chairman of the White Fish Authority, charged yesterday.

Offering unequivocal support to the Government's stand in negotiations with the EEC, Mr. Mackenzie said that in the wake of the Common Market, the fishing boats which were now protected by a ban, and the heavy fishing of mackerel which had forced the Government to take protective measures, Community fishing boats were turning their attention to the UK.

All the warning signs are there that controls over haddock fishing are very shortly going to be desirable.

Mr. Mackenzie, presenting the annual report of the authority

—the fishing industry's main advisory and development organisation—said that while the herring ban was needed, he feared that it would encourage the fishing fleets in pursuit of other valuable species, notably haddock.

The value of the British fleet's catch rose sharply last year by 21 per cent to £211m. It is the first time that a great many fishermen have done exceedingly well in the past year, Mr. Mackenzie wrote in the authority's report.

"But it is to be hoped that this success does not mask the reality of the depleted stocks, dangerously high prices and a fundamental lack of control over British resources to which our Community partners have equal access."

Yesterday Mr. Mackenzie

commented: "The Common Fisheries Policy is a policy of legalised rape of what would be other circumstances when the members have been asked to accept unilateral protective measures already adopted by the Government should be extended to include a rule permitting traders to carry only one type of fish. It was a step which other Community fishermen were respecting the 'gentleman's agreement' among the Nine that catches should be restricted to last year's level, at the most. It was a step which the Commission's competence to enforce a conservation regime," he said, "it has a tendency to yield to political pressure which is the last thing you want when you

## COMMODITY MARKET REPORTS AND PRICES

## BASE METALS

COPPER—Very steady on the London Metal Exchange with the forward price held by short covering. Standard 1978 contract fell to 78 1/2 by the news of the Asarco price rise. Cornes.

COPPER	Official	1978	1979	1980	1981	1982
Wireless	711.5	+1.5	711.5	+1.5	711.5	+1.5
Standard	711.5	+1.5	711.5	+1.5	711.5	+1.5
1978	711.5	+1.5	711.5	+1.5	711.5	+1.5
1979	711.5	+1.5	711.5	+1.5	711.5	+1.5
1980	711.5	+1.5	711.5	+1.5	711.5	+1.5
1981	711.5	+1.5	711.5	+1.5	711.5	+1.5
1982	711.5	+1.5	711.5	+1.5	711.5	+1.5

LEAD—Steady in routine trading with the performance of copper the main factor. After a sharp rise in the price index to 225.5 before yesterday's close, the market was held by a recovery to 224 on the Kerb. Turnover 4,000 tonnes.

LEAD	Official	1978	1979	1980	1981	1982
Wireless	214.5	+1.5	214.5	+1.5	214.5	+1.5
Standard	214.5	+1.5	214.5	+1.5	214.5	+1.5
1978	214.5	+1.5	214.5	+1.5	214.5	+1.5
1979	214.5	+1.5	214.5	+1.5	214.5	+1.5
1980	214.5	+1.5	214.5	+1.5	214.5	+1.5
1981	214.5	+1.5	214.5	+1.5	214.5	+1.5
1982	214.5	+1.5	214.5	+1.5	214.5	+1.5

## SOYABEAN MEAL

Market closed 5p lower. Prices held in a 3200-tonne market with trading, following USDA's supply and demand report. Old crop stocks held steady. The L2P was reduced by 10p to 110.50 on the basis of the day. SNV Commodities reported.

SOYABEAN MEAL	Official	1978	1979	1980	1981	1982
Wireless	110.50	+1.5	110.50	+1.5	110.50	+1.5
Standard	110.50	+1.5	110.50	+1.5	110.50	+1.5
1978	110.50	+1.5	110.50	+1.5	110.50	+1.5
1979	110.50	+1.5	110.50	+1.5	110.50	+1.5
1980	110.50	+1.5	110.50	+1.5	110.50	+1.5
1981	110.50	+1.5	110.50	+1.5	110.50	+1.5
1982	110.50	+1.5	110.50	+1.5	110.50	+1.5

## PRICE CHANGES

Prices per tonne unless otherwise stated.

PRICE CHANGES	Official	1978	1979	1980	1981	1982
Wireless	110.50	+1.5	110.50	+1.5	110.50	+1.5
Standard	110.50	+1.5	110.50	+1.5	110.50	+1.5
1978	110.50	+1.5	110.50	+1.5	110.50	+1.5
1979	110.50	+1.5	110.50	+1.5	110.50	+1.5
1980	110.50	+1.5	110.50	+1.5	110.50	+1.5
1981	110.50	+1.5	110.50	+1.5	110.50	+1.5
1982	110.50	+1.5	110.50	+1.5	110.50	+1.5

## SUGAR

LONDON DAILY PRICE (raw cane)

SUGAR	Official	1978	1979	1980	1981	1982
Wireless	110.50	+1.5	110.50	+1.5	110.50	+1.5
Standard	110.50	+1.5	110.50	+1.5	110.50	+1.5
1978	110.50	+1.5	110.50	+1.5	110.50	+1.5
1979	110.50	+1.5	110.50	+1.5	110.50	+1.5
1980	110.50	+1.5	110.50	+1.5	110.50	+1.5
1981	110.50	+1.5	110.50	+1.5	110.50	+1.5
1982	110.50	+1.5	110.50	+1.5	110.50	+1.5

## GRAINS

LONDON FUTURES (C&amp;F)

GRAINS	Official	1978	1979	1980	1981	1982
Wireless	110.50	+1.5	110.50	+1.5	110.50	+1.5
Standard	110.50	+1.5	110.50	+1.5	110.50	+1.5
1978	110.50	+1.5	110.50	+1.5	110.50	+1.5
1979	110.50	+1.5	110.50	+1.5	110.50	+1.5
1980	110.50	+1.5	110.50	+1.5	110.50	+1.5
1981	110.50	+1.5	110.50	+1.5	110.50	+1.5
1982	110.50	+1.5	110.50	+1.5	110.50	+1.5

## U.S. Markets

Recovery in copper; cocoa falls

U.S. MARKETS	Official	1978	1979	1980	1981	1982
Wireless	110.50	+1.5	110.50	+1.5	110.50	+1.5
Standard	110.50	+1.5	110.50	+1.5	110.50	+1.5
1978	110.50	+1.5	110.50	+1.5	110.50	+1.5
1979	110.50	+1.5	110.50	+1.5	110.50	+1.5
1980	110.50	+1.5	110.50	+1.5	110.50	+1.5
1981	110.50	+1.5	110.50	+1.5	110.50	+1.5
1982	110.50	+1.5	110.50	+1.5	110.50	+1.5

## COMPANY NOTICES

NOTICE TO HOLDERS OF SHARE

A final dividend of 2.5p per share will be payable on or after 24th July 1978 to persons whose names are on the register of members of the company as at 24th July 1978.

The dividend will be paid by cheque or cash to the order of the shareholder or to the order of the company's bankers, Messrs. J. E. Baring &amp; Co., Ltd., 15, Abchurch Lane, London, EC4N 3DF.

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The dividend will be paid by cheque or cash to the order



## STOCK EXCHANGE REPORT

# Markets consolidate awaiting today's trade returns

## Equities resist technical mark-down—Gilts hardly tested

## Account Dealing Dates

## Option

## First Declared Last Account

Dealing Date Dealings Day

Jun. 26 July 6 July 7 July 18

July 10 July 20 July 21 Aug. 1

July 24 Aug. 3 Aug. 4 Aug. 15

Aug. 16 Aug. 24 Aug. 25 Aug. 31

Sept. 1 Sept. 11 Sept. 12 Sept. 19

Sept. 20 Sept. 28 Sept. 29 Oct. 6

Oct. 7 Oct. 17 Oct. 18 Oct. 25

Oct. 26 Oct. 31 Nov. 1 Nov. 8

Nov. 9 Nov. 16 Nov. 17 Nov. 23

Nov. 24 Dec. 1 Dec. 2 Dec. 8

Dec. 9 Dec. 15 Dec. 16 Dec. 22

Dec. 23 Dec. 29 Dec. 30 Jan. 6

Jan. 7 Jan. 13 Jan. 14 Jan. 20

Jan. 21 Jan. 27 Jan. 28 Feb. 3

Feb. 4 Feb. 10 Feb. 11 Feb. 17

Feb. 18 Feb. 24 Feb. 25 Feb. 28

Feb. 29 Mar. 6 Mar. 7 Mar. 13

Mar. 14 Mar. 20 Mar. 21 Mar. 27

Mar. 28 Mar. 31 Apr. 7 Apr. 14

Apr. 15 Apr. 21 Apr. 22 Apr. 28

Apr. 29 May 6 May 7 May 13

May 14 May 20 May 21 May 27

May 28 May 31 Jun. 7 Jun. 14

Jun. 15 Jun. 21 Jun. 22 Jun. 28

Jun. 29 Jul 6 Jul 7 Jul 13

Jul 14 Jul 20 Jul 21 Aug. 6

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Oct. 1 Oct. 7 Oct. 8 Oct. 14

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Nov 27 Dec 3 Dec 4 Dec 10

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Dec 25 Dec 31 Jan 7 Jan 14

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Feb 13 Feb 19 Feb 20 Feb 26

Feb 27 Mar 5 Mar 6 Mar 12

Mar 13 Mar 19 Mar 20 Mar 26

Mar 27 Apr 3 Apr 4 Apr 10

Apr 11 Apr 17 Apr 18 Apr 24

Apr 25 Apr 29 May 6 May 13

May 14 May 20 May 21 May 27

May 28 May 31 Jun 7 Jun 14

Jun 15 Jun 21 Jun 22 Jun 28

Jun 29 Jul 6 Jul 7 Jul 13

Jul 14 Jul 20 Jul 21 Aug. 6

Aug. 7 Aug. 13 Aug. 14 Aug. 20

Aug. 21 Aug. 27 Aug. 28 Sep. 3

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Feb 13 Feb 19 Feb 20 Feb 26

Feb 27 Mar 5 Mar 6 Mar 12

Mar 13 Mar 19 Mar 20 Mar 26

Mar 27 Apr 3 Apr 4 Apr 10

Apr 11 Apr 17 Apr 18 Apr 24

Apr 25 Apr 29 May 6 May 13

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Feb 27 Mar 5 Mar 6 Mar 12

Mar 13 Mar 19 Mar 20 Mar 26

Mar 27 Apr 3 Apr 4 Apr 10

Apr 11 Apr 17 Apr 18 Apr 24

Apr 25 Apr 29 May 6 May 13

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Jun 29 Jul 6 Jul 7 Jul 13

Jul 14 Jul 20 Jul 21 Aug. 6

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Aug. 21 Aug. 27 Aug. 28 Sep. 3

Sep. 4 Sep. 10 Sep. 11 Sep. 17

Sep. 18 Sep. 24 Sep. 25 Sep. 30

Oct. 1 Oct. 7 Oct. 8 Oct. 14

## Barclays better

## Further small progress was

made in the major clearing

banks ahead of the interim divi-

dend season which starts next

Friday. Additionally helped by

the vote for the go-ahead of its

take-over Investment Trust

Corporation, Barclays rose 5 more

to 320p. ITC firmed 8 to 27p.

Foreign issues, on the other hand,

moved sharply lower in places

domestic investment currency

premiums, Home King

and Shanghai shed 17 to 31p and

National Bank of Australasia de-

clined 8 to 217p.

Apart from Brentnall Beard

which became unsettled and eased

2 to 32p on a Press revelation that

Lloyd's of London is to mount

a top-level inquiry into the con-

duct of the company, Insurances

closed firmer throughout. The

encouraging new life business

figures from Sun Life, 4 better at

100p, and Equity and Law, up 8

at 180p, helped sentiment

generally in the sector.

Distillers responded to the

better-than-expected results with

a rise of 3 to 180p, after 180p.

In quietly firm Buildings, small

demand lifted Blue Circle 3 to

343p, and ahead of next Tuesday's

premium index, Magnet and

Southern firmed 5 to 180p after

180p. EMI and Everard added 5

to 93p on small buying and G. R.

Dovings 8 to 330p, the latter

in helped response to the pro-

posed 100 per cent scrip issue.

Still reflecting disappointment

with the pre-tax loss, Mears

Brothers shed 3 more to 14p, a

loss of 8 since the announcement.

Raymond Williams eased 2 to 120p

following the preliminary results.

ICI remained a quietly firm

market ahead of today's trade

figures and added 4 to 381. Coates

Brothers firmed 2 to 71p and the

A non voting shares 4 to 70p.

APV found late support and

closed 3 higher at 228p.

The two main gambling issues,

Ladbroke and Coral Leisure took

on a steadier appearance after the

previous day's sharp falls which

followed the Royal Commission's

report. Ladbroke eased 10p to

187p before settling at 189p for

loss of only a penny on balance,

while Coral closed a penny dearer

at 96p, after 97p.

Food again made an irregular

showing. Joseph Stocks firmed 5

to 180p in a limited market, while

Sainsbury picked up 3 to 203p

and rises of 2 were marked

against Kwik Save, 50p, and

Hazellwoods Proprietary, 88p. On

the other hand, Tate and Lyle

remained on offer and gave up 2

further to 180p. Watson and

Phillips fell 4 to 55p on the lower

proposals.

In Newspapers, persistent

buying on North Sea potential

helped A. & C. Black firmed 4

to 123p for a three-day rise of

15 on continued demand in a thin

market. Associated Book

Publishers eased 5 to 325p, despite

the proposed early redemption of

the outstanding 71 per cent

1985-90 debentures at a price of

290, the stock was being called

unmoved at 270. Jacksons Bourne

and R. Kelvin Watson added 5 to

74p on further consideration of

the record profits. J. and J. Lyon

"A" gained 4 to 37p and AGB

Research rose 5 to 97p, the latter

following comment on the

marketing of its latest market

research project.

Dunlop were again briskly

traded, but renewed investment

demand from the Far East was

more easily accommodated, and

the price only improved a penny

further to 88p. Elsewhere in

the Motor sector, Dowsy were

traded 5 to 325p, despite

encouraging comment on the

marketing of its latest market

## B.P. ease

## British Petroleum, down 8 at

87p, reflected profit-taking and

the withdrawal of American sup-

ply following an analyst's down-

grading of prospects of the latest

oil discovery off the Shetlands.

Shell eased 5 to 570p in sympathy,

but Ultramar attracted buyers and

rose 22 to 860p on vague rumours

that prospects in the Brae Field

had improved. Elsewhere, Royal

Dutch shed 11 to 540p on invest-

ment dollar premium influence.

In modest gains were fairly

spread throughout the Trust sec-

tor. Among Financials, Inter-

national Investment Trust of

Jersey rose 10p to a higher

base of 260p, up 10.

Furness Withy, down 6 at 230p

on the forecast of substantially

lower profits in the current year,

provided the only noteworthy

movement in Shipping.

A lone firm spot were "Amoco"

which advanced 10 to a 1978 high

of 630p—a two-day improvement

of 40.

The lower premium prompted

across the board losses in

Australians despite the contin-

ing firmness of overnight Sydney

and Melbourne markets. Against

the general trend, reports that

France is seeking uranium sup-

ply contracts worth \$500m per year

from 1985 onwards caused a

surge of buying of Pan



## OFFSHORE AND OVERSEAS FUNDS

[illegible][illegible]







a fully integrated banking service									
DINIA BANK									
Head Office: Osaka, Japan									
MINES—Continued									
CENTRAL AFRICAN									
78	Low	Stock	Price	1/4	1/2	3/4	Int.	Div.	Yld
155	155	Palcon Rh. 50c	175	—	—	—	Q50c	—	13 1/2
156	156	Rhodes Corp. 10 gr.	175	—	—	—	Q10	7 1/2	5 1/2
157	157	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
158	158	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
159	159	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
160	160	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
161	161	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
162	162	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
163	163	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
164	164	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
165	165	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
166	166	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
167	167	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
168	168	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
169	169	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
170	170	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
171	171	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
172	172	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
173	173	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
174	174	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
175	175	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
176	176	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
177	177	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
178	178	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
179	179	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
180	180	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
181	181	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
182	182	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
183	183	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
184	184	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
185	185	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
186	186	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
187	187	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
188	188	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
189	189	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
190	190	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
191	191	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
192	192	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1/2
193	193	Anglo S. Africa 50c	175	—	—	—	Q10	7 1/2	5 1





## Surprise talks bring Mid-East peace hope

BY DAVID LENNON

TEL AVIV, July 13.

THERE APPEARS to be a real possibility of an early resumption to the Egypt-Israel military committee talks, following today's surprise meeting in Austria between President Sadat of Egypt and Mr. Ezer Weizman, Israeli Defence Minister.

There was guarded optimism among defence and military officials tonight that Mr. Weizman may bring back an Egyptian invitation to resume the military talks in Egypt when he returns tomorrow.

The fact that President Sadat spoke privately for three hours with Mr. Weizman raised hopes here that there is now a real chance for progress in the Middle East peace talks. It was also seen here as reducing the chances of a stalemate during the meeting in London next week between the Foreign Ministers of Egypt and Israel and the American Secretary of State.

The military committee's deliberations were broken off in January, shortly after they had started. But a small Israeli military delegation has remained in Egypt ever since.

It was through the military team, based in Alexandria, that the negotiations were carried out which led to the unexpected meeting today in Salzburg.

Officials said that Mr. Weizman took no specific new Israeli ideas with him, but it is understood that he was hoping to persuade the Egyptians to resume the military talks, parallel with the resumption next week of the political talks. He was also expected to clarify what the Egyptian position will be in the London talks.

The Israeli government was surprised when General Abdul Gamasy, the Egyptian War Minister, sent a message to Mr. Weizman agreeing to the Israeli Minister's request for a meeting, but stressing that it must be held today. After a hurried meeting among senior Ministers it was decided last night to approve Mr. Weizman's trip, even though it comes only days before the London conference.

Mr. Moshe Dayan, Israeli Foreign Minister, said there were three items on the agenda for the London talks: The Egyptian proposals about the West Bank, Israel's proposals, and the continuation of the negotiations.

## Bank calls for flexibility in supervisory code

BY MICHAEL BLANDEN

DETAILED PROPOSALS for the more controversial aspects of the new UK legislation on the supervision of banks and deposit-taking institutions are close to completion.

It is hoped that draft clauses for the new rules will be ready for publication within the next few months.

This will follow the White Paper outlining the proposals published nearly two years ago and extensive discussions with the banks and other institutions.

The Bank of England argues in a series of five papers published today that the planned statutory framework for supervision of the banking system is needed, but that it is important to retain the flexibility which has been associated with the present non-statutory system of regulation of banks and other City markets.

The Bank has submitted the papers to the Wilson committee on the financial institutions. They describe its role in the regulation and supervision of the banks and other City markets and institutions.

The new evidence provides a background description of the arrangements which at present operate. The papers are regarded as a starting point for further discussions with the committee, which could cover some of the

## The pace slackens at Distillers

THE LEX COLUMN

Distillers has doubled its profits in the last three years, but the momentum is beginning to fade. The pre-tax total for the year to March is up from £133.6m to £182.5m; most of this increase came in the first half, and it all arose overseas.

At home, sales for the industry were down about 9 per cent during the financial year, and DCL fared considerably worse than that. Its market share in the UK may have fallen by a half from an estimated 40 per cent plus a year or two ago. It is not yet clear whether sales have hit the bottom following the EEC-inspired decision to withdraw Johnnie Walker Red from the home market, but DCL hopes eventually to regain share through new brands and increased promotion.

Overseas, by contrast, DCL has outperformed the industry's rumoured that it has its eye on the Guthrie Corporation, which has extensive plantation interests in the Far East. The latter's market capitalisation of £114m is roughly equivalent to DCL's. But DCL has denied that it is at present interested in bidding for Guthrie.

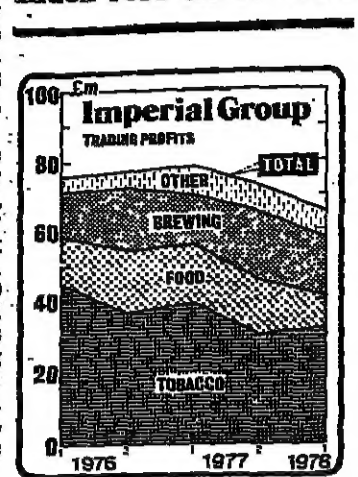
The second suggestion is that Sime Darby would like to take over either Dunlop's Malaysian interests or even make a bid for the whole of Dunlop itself, likely to be dramatic: reported dividend cover is 3 times, but it is no more than about 14 times on a current cost basis, which is what counts for a group with such a long production cycle.

Meanwhile DCL's net cash balances are pushing up towards the £100m mark, so there are no problems about financing the stockbuilding which resumed last January.

### Sime Darby

The news that Sime Darby is arranging a £100m syndicated loan has stimulated speculation that it is on the verge of making a major acquisition. In terms of the group's net worth of £173m the loan is very large, and as net borrowings at only £18m, it is obvious that it does not need the money for its existing business. So what is the company up to?

Index rose 0.3 to 473.6



good period last time and the decline had already set in before the year-end.

The main factor has been the fall-off in poultry prices (which was partly exacerbated by the supermarket price war) and escalating costs. But crisp, frozen foods and the Smedley HP business have also suffered from cost and margin pressures. The good news is that conditions generally in the UK food area seem to have taken a distinct turn for the better, while the U.S. food side had a good first half, accounting for some 30 per cent of the division's trading profit.

While food has disappointed, the tobacco division has again outperformed expectations, with trading profits of £32.3m against £29.2m last time. By rights, the benefit of lower interest charges of perhaps £4m ought to be added in here, as a result of the changeover in the duty payment system. The first half was a tough price-cutting period with Imps losing a few points in its UK market share. But the figures do not reflect the subsequent impact of BAT's launch of the State Express brand. Elsewhere, brewing profits are 17 per cent ahead, reflecting the benefit of price increases.

With a better performance overall expected in the second half, Imps is talking of pre-tax profits approaching last year's £129m. So, at 80p, shares still look attractive with a yield of almost 11 per cent.

### Traded options

The traded options market has flickered back into life this week, and at lunchtime yesterday—after 774 contracts had been recorded during the morning—it looked as though the market would go on to surpass the May 5 daily peak of 960 contracts. In the event, however, the afternoon proved quiet and the total reached no more than 970 for the day. The sharp rise in the underlying equity market during the past week is one reason why traded options have become more active. Another is that the London market's first expiry date, July 19, is now very close.

The market makers face a problem in deciding the likely level of exercise of the options in UK conditions. There are suggestions that UK tax rules on wasting assets will lead to holders exercising options in order to establish tax losses. The next few days will tell.

## UN outlines Namibia peace force plan

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

IF WESTERN proposals for a peaceful transfer of power to Namibia are accepted by the Security Council, a UN force of some 5,000 officers and men, mainly from African and Scandinavian countries, is likely to be sent to the territory within the next few weeks.

Giving details of the planned operation in New York yesterday, Dr. Kurt Waldheim, the UN Secretary-General, said that the force would be accompanied by 1,000 UN officials and support staff. It would be the biggest such operation since the Congo (now Zaire) intervention in the early 1960s.

This large UN role is the key to the Western proposals for Namibia agreed after 15 months of negotiation by both the South African Government, which controls Namibia, and by Swapo, the only internationally recognised nationalist movement.

In London, Dr. David Owen, the Foreign Secretary, said yesterday that the agreement, negotiated by the U.S., Britain, France, West Germany and Canada—could be of profound significance for the whole of southern Africa.

He hoped that it could persuade the parties in the dispute to accept a negotiated settlement, while he thought that South Africa's acceptance of the proposals for Namibia would mean that Pretoria would be much more open to international acceptable solution.

such as that proposed under the Anglo-U.S. plan, for Rhodesia. Dr. Owen warned, however, that while the South African-Swapo agreement represented a major achievement, the Namibian dispute was not "signed, sealed and finally settled".

The western powers will now take their proposals to the Security Council, which it is hoped will meet before the end of this month when Canada hands over the chairmanship to China.

In spite of the statement yesterday by Mr. Sam Nujoma, Swapo's president, that Namibia could not become independent until the question of Walvis Bay was solved, western representatives in New York were confident that the proposals would be approved by the Security Council.

The proposals provide for a UN-controlled ceasefire and UN-supervised elections. They also provide for the phased reduction of the estimated 20,000 South African troops so that only 1,500 remain during the elections.

Walvis Bay, the main Namibian port, however, left out of the package because of its different legal status from the territory as a whole, although Swapo insists that it belong to Namibia. Dr. Owen made it clear yesterday that negotiations must still take place on Walvis Bay, although he indicated that the

## Lambsdorff wary of Europe money plan

BY JONATHAN CARR

BONN, July 13.

A MISCONCEIVED European monetary system might carry the risk of inflation, Count Otto Lambsdorff, the West German Economics Minister, said today in a newspaper interview.

His comments closely resemble those emerging from the industry and the banks since the wide-ranging monetary scheme was outlined last week by the European Council in Bremen.

The thrust of much of that comment is close to the official stand of the British Government: that while the scheme is desirable but that the greatest care must be taken in working out the details.

However, the underlying German concern differs from that of the British. It is widely feared here that creating a European monetary fund, even in its first stage, would involve much greater German intervention on behalf of weaker currencies, swell German money supply and add to inflation.

Count Lambsdorff went further, arguing that a system not correctly established would mean a greater danger of

inflation for the rest of the world as well as for Germany.

In his view the success of the planned system depended not least on whether the participating countries had the will to adopt stability-orientated policies. Conditions must be attached to the use of the resources of the new monetary fund to encourage such policies.

The thrust of much of that comment is close to the official stand of the British Government: that while the scheme is desirable but that the greatest care must be taken in working out the details.

However, the underlying German concern differs from that of the British. It is widely feared here that creating a European monetary fund, even in its first stage, would involve much greater German intervention on behalf of weaker currencies, swell German money supply and add to inflation.

## Helicopter co-operation plan

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A FOUR-NATION plan to develop a new generation of military helicopters in Western Europe has been agreed in principle by the Defence Ministers of the UK, France, Italy and West Germany.

It could eventually bring many hundreds of millions of pounds worth of business to the helicopter and other aerospace industries of the four countries.

The details, including which type of helicopter should be developed, are to be worked out over the next few months by a steering committee comprising representatives of the armed forces and the helicopter industries of the four countries, and a report will be submitted to the next meeting of Defence Ministers in early 1979.

The plan is part of a wide-ranging programme of international collaboration on new military ventures discussed at a meeting of the Defence Ministers of the UK, France and West Germany, at Ditchley Park, Oxfordshire, over the past two days.

The Italian Defence Minister was not present, but Italy has already signed the joint declaration of principles on the helicopter programme.

The other ventures discussed included possible joint work on the proposed new advanced tactical combat aircraft, which the RAF will need in the late 1980s to replace its Harrier, and a report will be submitted to the next meeting of Defence Ministers in early 1979.

### Weather

**UK TODAY**  
 Warm, sunny, some rain.  
 London, S, central N, NW  
 England, Midlands, Channel  
 Islands, Wales, Lakes, Isle of  
 Man, SW Scotland, Glasgow,  
 Argyll, Ireland  
 Fog, sunny periods. Max 23C  
 (73F).  
 E Anglia, E England  
 Fog, sunny periods, coastal

### BUSINESS CENTRES

City	Yday	Today	Yday	Today
Amsterdam	19.40	19.40	19.40	19.40
Bahran	19.40	19.40	19.40	19.40
Barcelona	19.40	19.40	19.40	19.40
Bombay	19.40	19.40	19.40	19.40
Breast	19.40	19.40	19.40	19.40
Buenos Aires	19.40	19.40	19.40	19.40
Calcutta	19.40	19.40	19.40	19.40
Canton	19.40	19.40	19.40	19.40
Cebu	19.40	19.40	19.40	19.40
Colon	19.40	19.40	19.40	19.40
Hankow	19.40	19.40	19.40	19.40
Hong Kong	19.40	19.40	19.40	19.40
Kobe	19.40	19.40	19.40	19.40
London	19.40	19.40	19.40	19.40
Lyons	19.40	19.40	19.40	19.40
Manila	19.40	19.40	19.40	19.40
Medan	19.40	19.40	19.40	19.40
Osaka	19.40	19.40	19.40	19.40
Paris	19.40	19.40	19.40	19.40
Seoul	19.40	19.40	19.40	19.40
Singapore	19.40	19.40	19.40	19.40
Tokyo	19.40	19.40	19.40	19.40
Yokohama	19.40	19.40	19.40	19.40

Continued from Page 1

### Railwaymen

per cent was being contemplated for Phase Four.

Mr. Weighell told the delegates to respect "the philosophy of the pig trough, where the biggest snouts get the biggest share."

The union was not a weak one, so it was not for that reason that it should support the social contract. He was supporting it as a Socialist and as the way to a fairer society and real economic justice.

On the need for a comprehensive economic contract, Mr. Weighell said: "If it makes sense to plan the whole economy when we are in economic distress, surely it must make more sense to plan how we share the newly-created wealth that is likely to accrue as we move towards self-sufficiency in oil."

Mr. Weighell said he absolutely believed in collective bargaining, but it was the manner of its application that was at stake.

## Sime Darby Holdings raises \$202m loan

BY JAMES BARTHOLOMEW

SIME DARBY HOLDINGS, one of the biggest plantation and trading companies in the Far East, is arranging a syndicated loan of U.S.\$202m for working capital and expansion.

The loan is the biggest ever raised in Malaysia and has been enthusiastically received by the local and foreign banks. The Malaysian Government is one of the largest shareholders in Sime Darby, owning just under 20 per cent through Permas Securities and more through other State-controlled bodies.

The loan will be divided into four parts—two Malaysian Ringgit loans and two Singapore dollar loans at fixed and floating rates. Further news of the detailed terms is expected today when the participation of local banks will be fixed.

Sime executives refused yesterday to disclose the purpose of the loan but sources close to the company discounted

rumours of a bid for Guthrie or Harrisons and Crossfield, British companies with large Malaysian plantations. These two, and Dunlop Holdings, all denied yesterday that they had received any approach from Sime Darby. Their shares have risen sharply in the past week. Dunlop's shares have jumped 8p to 83p in the past two days and the counter was the fourth most active yesterday.

Sime Darby has had a very chequered history recently and its latest managing director has held office for less than a year. The group has gone through a process of rationalisation, selling off interests considered to be peripheral and buying in minority stakes in some subsidiaries. Mr. Scott said recently that his aim is to "concentrate on what we do well." He said he was particularly interested in developing downstream operations.

The talks would "serve as a basis for narrowing the differences between us," Mr. Vance confessed, however, that no solution had been found to either of the two principle remaining difficulties—restrictions on the Soviet BI bomber and limitations on the production and deployment of new strategic missile systems.

In spite of the dismay the trials have caused in Washington, Mr. Gromyko maintained that he would like to see U.S.-Soviet relations "ebber and enriched."

## A few words about Tokai Bank's expanding international operations.

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